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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1976

No. 76-1604

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION,

Petitioner,

v.

NATIONAL CITIZENS COMMITTEE FOR BROADCASTING,
FEDERAL COMMUNICATIONS COMMISSION, and
UNITED STATES OF AMERICA,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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TABLE OF CONTENTS

Page

OPINIONS BELOW 1

JURISDICTION 2

QUESTIONS PRESENTED 2

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED 3

STATEMENT 3

REASONS FOR GRANTING THE WRIT:

I. The Lower Court Has Decided Important Constitutional Questions Which Have Not Been, but Should Be, Settled by This Court 8

II. The Court of Appeals Decided a Question Regarding the FCC's Statutory Authority, of Central Importance to the Administration of the Communications Act, in a Way Which Conflicts with Applicable Guidelines of Statutory Interpretation Established by Decisions of This Court 14

III. The Court of Appeals Usurped the FCC's Policy-Making Role in a Manner Inconsistent with Its Proper Review Function and Applicable Decisions of This Court 19

CONCLUSION 24

TABLE OF CITATIONS

Cases:

Associated Press v. United States, 326 U.S. 1 (1945) 12

Bolling v. Sharpe, 347 U.S. 497 (1954) 13

Bowman Transportation, Inc. v. Arkansas-Best Freight System, Inc., 419 U.S. 281 (1974) 20

Chemehuevi Tribe of Indians v. FPC, 420 U.S. 395 (1975) 19

Citizens To Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402 (1972) 22

City of New Orleans v. Dukes, 427 U.S. 297 (1975) 14

Cases, continued: Page

Columbia Broadcasting System, Inc. v. Democratic National Committee, 412 U.S. 94 (1973) 12

FCC v. Pottsville Broadcasting Co., 309 U.S. 134 (1940) 22, 23

FPC v. Idaho Power Co., 344 U.S. 17 (1952) 22

FRC v. Nelson Brothers Bond & Mortgage Co., 289 U.S. 266 (1933) 10

Grosjean v. American Press Co., 297 U.S. 233 (1936) 10-11

Madison Joint School District No. 8 v. Wisconsin Employment Relations Commission, ___U.S. ___, 45 U.S.L.W. 4043 (1976). 10

Miami Herald Publishing Co. v. Tornillo, 418 U.S. 241 (1974) 12, 13

National Broadcasting Co. v. United States, 319 U.S. 190 (1943) 10, 15

Niemotko v. Maryland, 340 U.S. 268 (1951) 10

NLRB v. Gullett Gin Co., 340 U.S. 361 (1951) 19

Norwegian Nitrogen Products Co. v. United States, 288 U.S. 294 (1933) 17

Permian Basin Area Rate Cases, 390 U.S. 747 (1968) 20

Police Department v. Mosley, 408 U.S. 92 (1972). 10, 14

Red Lion Broadcasting Co. v. FCC, 395 U.S. 367 (1969) 9, 10

Saxbe v. Bustos, 419 U.S. 65 (1974) 19

Skinner v. Oklahoma ex rel. Williamson, 316 U.S. 535 (1942) 14

Speiser v. Randall, 357 U.S. 513 (1958) 11

Stahlman v. FCC, 126 F.2d 124 (D.C. Cir. 1942) 15

Tri-State Broadcasting Co. v. FCC, 96 F.2d 564 (D.C. Cir. 1938) 15

United States v. Midwest Video Corp., 406 U.S. 649 (1972) 16

Cases, continued: Page

United States v. O'Brien, 391 U.S. 367 (1968) 13

United States v. Southwestern Cable Co., 392 U.S. 157 (1968) 15-16

United States v. Storer Broadcasting Co., 351 U.S. 192 (1956) 15

Constitution and Statues:

First Amendment, U.S. Constitution ..... *passim*

Fifth Amendment, U.S. Constitution ..... *passim*

28 U.S.C. §1254(1) 2

Communications Act of 1934, 48 Stat. 1064, as amended:

47 U.S.C. §151 5

47 U.S.C. §152(a) 3, 16

47 U.S.C. §154(i) 3

47 U.S.C. §154(j) 3

47 U.S.C. §301 ..... 3, 9

47 U.S.C. §303 ..... 3, 9

47 U.S.C. §309(a) 3, 9, 15

47 U.S.C. §309(d)(1) 3

47 U.S.C. §402(a) 7

Miscellaneous:

47 C.F.R. §73.35 3

47 C.F.R. §73.240 3

47 C.F.R. §73.636 3

Conference Report No. 2426, 82d Cong., 2d Sess. (1952) ...18

S. Rep. No. 741, 81st Cong., 1st Sess. 2 (1950) 18

[Sutherland] Statutes and Statutory Construction (4th ed. C. Sands 1973) 19

WHDH, Inc., 16 F.C.C.2d 1 (1969), *aff'd, Greater Boston Television Corp. v. FCC*, 444 F.2d 841 (D.C. Cir. 1970), *cert. denied*, 403 U.S. 923 (1971) 8

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NATIONAL CITIZENS COMMITTEE FOR BROADCASTING, FEDERAL COMMUNICATIONS COMMISSION, and UNITED STATES OF AMERICA,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

The American Newspaper Publishers Association (ANPA) prays that a writ of certiorari issue to review the final judgment of the United States Court of Appeals for the District of Columbia Circuit entered in this case on March 1, 1977.

OPINIONS BELOW

The opinion of the court of appeals, not yet officially reported, appears as Appendix A of the petition of the Federal Communications Commission (FCC).[1]

[1] The FCC has petitioned for certiorari to review the same decision involved in this petition. FCC v. National Citizens Committee for Broadcasting, No. 76-1471 (filed April 22, 1977).

The opinions of the Federal Communications Commission are reported at 50 F.C.C.2d 1046 and 53 F.C.C.2d 589, and appear as FCC Appendices B and C.

JURISDICTION

The judgment of the court of appeals was entered on March 1, 1977, and appears as FCC Appendix D. A motion to stay the mandate filed by the FCC was granted in part by the court of appeals on April 5, 1977, and the court's order appears as FCC Appendix E. The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

QUESTIONS PRESENTED

1. Whether the court below erred in holding that the FCC, consistently with the First and Fifth Amendments to the Constitution and the Communications Act, can adopt a general rule barring daily newspaper publishers from acquiring licenses for any broadcast stations in the communities where their papers are published and requiring broadcasters to forfeit their station licenses as a condition of exercising their right to publish daily newspapers in the communities served by their broadcast stations.

2. Whether the court of appeals overstepped the proper bounds of judicial review of an FCC rulemaking where, because of its different view of the relative weight to be accorded the factors of diversity and public service in broadcasting, it ordered the agency to direct the wholesale divestiture of existing broadcast stations affiliated with local daily newspapers despite the FCC's conclusion, after a balancing of the competing interests, that such action is unnecessary and not in the public interest.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The First Amendment to the Constitution provides, in relevant part:

> "Congress shall make no law . . . abridging the freedom . . . of the press . . . ."

The Fifth Amendment provides, in relevant part:

> "No person shall . . . be deprived of life, liberty, or property, without due process of law . . . ."

Sections 2(a), 4(i), 4(j), 301, 303(g), 309(a), and 309(d)(1) of the Communications Act of 1934, 48 Stat. 1064, as amended, 47 U.S.C. §§152(a), 154(i), 154(j), 301, 303(g), 309(a), and 309(d)(1), are set forth in FCC Appendix F.

The FCC's Multiple Ownership rules, 47 C.F.R. §§73.35, 73.240, and 73.636, are set forth in FCC Appendix B at 114-121 and FCC Appendix C at 158.

STATEMENT

This case concerns the FCC's novel contention that it can discriminate against persons exercising, or desiring to exercise, their First Amendment right to publish a daily newspaper by placing them in a separate, unique class ineligible to obtain broadcast licenses in their local communities. It also concerns the policy judgment of the court below, which was rejected by the FCC after weighing all competing interests, that nationwide divestiture of existing broadcast stations affiliated with local daily newspapers is required to promote diversity regardless of other factors affecting public service.

The American Newspaper Publishers Association (ANPA) is a non-profit organization, whose membership consists of more than 1240 daily newspapers represent-

ing over 90 percent of the total daily and Sunday newspaper circulation in the United States. All of its members are vitally concerned with the unconstitutional premises under which the court of appeals has banned daily newspaper publishers, as a class, from ownership of colocated broadcast stations.

ANPA has consistently adhered in this case to its basic position that the constitutional limitations of the First and Fifth Amendments preclude the FCC from promulgating any general rule disqualifying daily newspaper publishers as a class from being granted licenses to operate broadcasting stations in the same communities where their newspapers are published.

This case arose from a rulemaking proceeding by the FCC, originally concerned solely with multiple ownership of broadcast stations. *Notice of Proposed Rulemaking (Docket No. 18110)*, 33 Fed. Reg. 5315 (1968). In response to urging by the Antitrust Division, unsupported by any specific allegations of anticompetitive practices by newspaper-broadcast combinations, the FCC expanded its inquiry to consider newspaper-broadcast cross-ownership. *Further Notice of Proposed Rulemaking*, 22 F.C.C.2d 339 (1970).

The rules proposed by the FCC, contrary to its longstanding recognition that initial licensing of newspaper publisher applicants for local broadcast licenses can serve the public interest and its repeated findings that renewal of such licenses also will serve the public interest, would have prohibited all licensing of new local broadcast stations to daily newspaper publishers and required divestiture of all existing combinations.

In response to the FCC's sweeping proposal nearly 200 parties, representing a full spectrum of interests, submitted comments and empirical evidence, the overwhelming thrust of which revealed numerous legal

and factual weaknesses in the FCC's proposal. ANPA, for example, provided the FCC with legal analyses demonstrating its lack of constitutional and statutory authority to discriminate against newspaper publishers, and empirical studies on the different journalistic characteristics of the press and broadcast media, the likely adverse economic consequences of its divestiture proposal, and the total lack of any public interest need or justification for the proposed new regulations.

When the FCC adopted its *Second Report and Order*, 50 F.C.C.2d 1046 (1975), it asserted, for the first time, a claim that it has authority to adopt general rules discriminating against newspaper publishers. The FCC inferred such authority, not expressly conferred by its governing statute, from its undisputed power to allocate the broadcast spectrum. (FCC Appendix B at 65 ¶14.)

In the Commission's view, the expansion of its role, from regulation solely of "communications by wire and radio," 47 U.S.C. §151, to encompass jurisdiction to promulgate rules on newspaper-broadcast cross-ownership, was justified on grounds of promoting diversity. (FCC Appendix B at 65 ¶16.) The FCC dismissed the First Amendment objections to its proposed rules with the assertion that "the First Amendment does not protect business relations that are either unlawful or not in the public interest." (FCC Appendix B at 65 ¶16.) The FCC also declined to follow its own first General Counsel's opinion that it lacks authority to deny a newspaper publisher a broadcast license solely on public policy grounds, and it ignored repeated statements by the courts and responsible committees of Congress that it has no such authority. (FCC Appendix B at 66-67, ¶¶18-22.)

Upon its review of the evidence before it on cross-ownership, the FCC made numerous empirical findings, including: that, in general, there is substantial and increasing diversity in the mass media in most communities, with some exceptions (FCC Appendix B at 89-90 ¶¶100-101); that there is already significant diversity between affiliated broadcast stations and newspapers, so that divestiture would, in most instances, yield only a small increase in diversity (FCC Appendix B at 104 ¶¶131-132); and that newspaper-affiliated broadcast stations tend to be superior licensees (FCC Appendix B at 93 n. 26, 109-113).

The FCC concluded, under its newly asserted jurisdiction, to prohibit altogether any daily newspaper publisher from acquiring a new license for a broadcast station in his community or transferring to new ownership an existing combination. The sole basis given for these prospective rules was the FCC's statement that "[w]e think that any new licensing should be expected to add to local diversity." (FCC Appendix B at 90 ¶101.)

As to license renewals of existing combinations, the FCC found that in the majority of cases a combination of factors, including "a long record of service to the public," possible "disruption for the industry," and "hardship for individual owners" outweighed "a mere hoped for gain in diversity." (FCC Appendix B at 93 ¶109.) In a number of small market cases, where there is only one newspaper and one television or radio station, the FCC ordered divestiture within five years because of its opinion, reached without a factual inquiry into the specific circumstances of any of the individual markets involved, that the level of diversity was not great enough in these communities. (FCC Appendix B at 96-99 ¶¶113-117.)

Petitions for review were filed by ANPA and a number of other parties pursuant to Section 402(a) of the Communications Act of 1934, 47 U.S.C. §402(a). The court of appeals affirmed the agency's prospective ban on newspaper-broadcast combinations, vacated the FCC's rules relating to existing combinations, and remanded.

The court below agreed with the FCC that a prospective ban on cross-ownership is consistent with the First and Fifth Amendments and is authorized under the Communications Act. (FCC Appendix A at 24-33.) The court also affirmed the FCC's policy judgment to give diversity determinative weight in future licensing at the expense of any other public service considerations. (FCC Appendix A at 18-24.)

Regarding the FCC's decision not to divest most existing combinations, the court rejected the agency's careful weighing of the numerous public interest factors and its evaluation of the factual record compiled in the lengthy rulemaking. The court asserted that "policy, not factual considerations" were paramount. (FCC Appendix A at 38.) It ordered the FCC to adopt a new policy and promulgate a new rule, which compels a "presumption" against cross-ownership under which, according to the court, "divestiture [will be] required except in those cases where the evidence clearly discloses that cross-ownership is in the public interest." (FCC Appendix A at 60.)

REASONS FOR GRANTING THE WRIT

I.

THE LOWER COURT HAS DECIDED IMPORTANT CONSTITUTIONAL QUESTIONS WHICH HAVE NOT BEEN, BUT SHOULD BE, SETTLED BY THIS COURT.

The court below has held that the Federal Communications Commission is empowered to promulgate rules barring daily newspaper publishers as a class from holding broadcast licenses to serve their local communities. The lower court's decision, if allowed to stand, is certain to have a far-reaching and permanent impact upon both the broadcasting and newspaper publishing businesses. A daily newspaper publisher who is not now engaged in broadcasting would be required to suspend publication of his paper – or to sell it – as the price of entry into the broadcasting field. A publisher who currently holds a broadcast license in the community in which his paper is published would face the choice of abandoning or selling either his broadcasting or publishing interests. Moreover, the new FCC rules approved by the lower court will prevent broadcasters – often the only persons in a community who can combine journalistic expertise with adequate capital – from starting or acquiring new daily newspapers.[2]

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[2] Divestiture, as required on a broad scale by the court of appeals' action, could have a serious and counterproductive impact on diversity. This is the lesson of the forced separation of the Boston *Herald-Traveler* from its broadcast properties in the FCC's celebrated *WHDH* case. WHDH, Inc., 16 F.C.C.2d 1 (1969), *aff'd*, Greater Boston Television Corp. v. FCC, 444 F.2d 841 (D.C. Cir. 1970), *cert. denied*, 403 U.S. 923 (1971). Only three months after WHDH went off the air, the *Herald-Traveler* ceased publication after 125 years, eliminating one of Boston's three daily newspapers without any increase in the number of electronic media outlets.

The court below failed to acknowledge the fundamental constitutional questions posed by the promulgation of rules instituting an outright ban on newspaper-broadcast cross-ownership. Any regulation conditioning the right to publish a daily newspaper on forbearance from engaging in broadcasting in the same community would constitute an impermissible abridgment by the government of the freedom of the press. The determination of the lower court that such regulations may, indeed must, be enacted finds no precedent in the decisions of this or any other Court, and is based upon a misconstruction of the decisions of this Court delineating the proper relationship of broadcasting to the First Amendment.

Because the broadcast spectrum is limited, the Commission must allocate its use so as to accommodate the interests of all and to serve the "public interest, convenience, and necessity." 47 U.S.C. §§ 301, 303, 309(a). "Without government control, the medium would be of little use because of the cacophony of competing voices, none of which could be clearly and predictably heard." *Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367, 376 (1969). In its licensing activities, the Commission must make choices among various means of accommodating the public's interest in freedom of expression with the inherent limitations of the broadcast spectrum. No decision of this Court, however, supports the assertion, advanced by the Commission and approved by the court below, that the singling out of newspaper owners for subjection to exclusionary regulations, different from those applied to any other broadcast license applicants in a given community, is within the range of the agency's constitutionally permissible choices.

The court below apparently believed that *National Broadcasting Co. v. United States*, 319 U.S. 190 (1943), *Red Lion Broadcasting Co. v. FCC, supra*, and *FRC v. Nelson Brothers Bond & Mortgage Co.*, 289 U.S. 266 (1933), are dispositive of ANPA's assertion that the anti-newspaper rules violate the First Amendment rights of newspaper owners who wish to enter the broadcasting field or broadcasters who desire to become local newspaper publishers. Those cases, however, establish only that the First Amendment is not offended by the denial of a broadcast license under statutory "public interest" standards. None of the cases relied on by the court below addressed the right to publish a newspaper, a cherished First Amendment right distinct from the right of access to the broadcast spectrum.

This Court has frequently invalidated governmental actions that curtail expression by favoring certain classes of speakers over others. *See Madison Joint School District No. 8 v. Wisconsin Employment Relations Commission*, ____ U.S. ____, ____, 45 U.S.L.W. 4043, 4045 (1976); *Police Department v. Mosley*, 408 U.S. 92, 97-98 (1972);[3] *Niemotko v. Maryland*, 340 U.S. 268 (1951). Indeed, the imposition of discriminatory burdens on the free press has been specifically condemned by this Court. In *Grosjean v.*

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[3] In Police Department v. Mosley, 408 U.S. at 100-101, the Court rejected the City of Chicago's argument that, although it permitted peaceful labor picketing, it could prohibit all non-labor picketing because, as a class, non-labor picketing is more prone to produce violence than labor picketing. The Court stated that such judgments are appropriately made on an individualized basis. *Id.* at 101. The anti-newspaper regulations approved by the lower court's decision in this proceeding similarly represent a "wholesale and categorical" judgment on a question more appropriately determined on an individualized basis – *i.e.*, whether a newspaper owner's licensing as a broadcaster serves the public interest.

American Press Co., 297 U.S. 233 (1936), the Court held unconstitutional a state tax on gross receipts from advertising imposed only on newspapers with weekly circulations over 20,000. The court below sought to distinguish *Grosjean* on the ground that the Commission's cross-ownership ban is designed to increase the diversity of information in circulation, whereas the tax in *Grosjean* worked to limit the circulation of information to the public. (FCC Appendix A at 30-31.) This argument, however, ignores the conclusion of this Court in *Grosjean* that "by the First Amendment it was meant to preclude the national government . . . from adopting any form of previous restraint upon printed publications, or their circulation." 297 U.S. at 249. Thus, this Court recognized in that decision a right to publish that is the necessary mechanism for ensuring the public's right to receive information from a diversity of sources. The lower court, by focusing only on the ultimate *public* right, negates the *individual publisher's* right which is its precondition.

The casual dismissal by the court below of the argument by ANPA based on *Speiser v. Randall*, 357 U.S. 513 (1958), is equally unconvincing. In *Speiser*, this Court struck down a statute that conditioned a special property tax exemption on the signing of a loyalty oath because the denial of the exemption would have had the effect of penalizing claimants for engaging in protected speech. The FCC cross-ownership ban would penalize free expression in much the same way: the regulations would deny a publisher the right to hold a broadcast license merely because he exercises his First Amendment right to publish a newspaper in the same location, or a broadcaster the right to enter the local daily newspaper business merely because he holds a federal license to engage in broadcasting.

The opinion below also falls back on the assertion that "[f]reedom of the press does not necessarily shield newspaper publishers from regulation that may make publication more difficult," citing *Associated Press v. United States*, 326 U.S. 1 (1945), to support that assertion. (FCC Appendix A at 30.) *Associated Press* stands, however, only for the proposition that the First Amendment provides no immunity from laws of general applicability – in that case the Sherman Act. The vice of the cross-ownership ban mandated by the lower court is that it is *not* a law of general applicability; it singles out newspaper publishers for special and discriminatory treatment. The regulations thus go far beyond the point of causing the same incidental difficulty to publishers as to other businesses. Rather, the FCC rules affirmatively burden the right to publish with the necessity of foregoing a right available to citizens engaging in any lawful occupation other than newspaper publishing. They do not merely "make publication more difficult"; they prevent it altogether if the would-be publisher happens to hold a local broadcast license.

The diversity arguments that underlie the lower court's decision are said to have their roots in the First Amendment. It has been held, however, by this Court on several occasions that the First Amendment is not to be used as a sword to require a particular form of government regulation to promote diversity. *See Miami Herald Publishing Co. v. Tornillo*, 418 U.S. 241 (1974); *Columbia Broadcasting System, Inc. v. Democratic National Committee*, 412 U.S. 94 (1973). On the contrary, "the balance struck by the First Amendment with respect to the press is that society must take the risk that occasionally debate on vital matters will not be comprehensive and that all viewpoints may not be

expressed." *Miami Herald Publishing Co. v. Tornillo*, 418 U.S. at 260 (White, J., concurring).

As stated by this Court in *United States v. O'Brien*, 391 U.S. 367, 377 (1968), a regulation that incidentally tends to curtail free expression is valid only "if it furthers an important or substantial governmental interest; if the governmental interest is unrelated to the suppression of free expression; and if the incidental restriction on alleged First Amendment freedoms is no greater than is essential to the furtherance of that interest." The legitimacy of the government's interest in promoting diversity in mass communications media is not denied; but it has not been established that the draconian remedy of complete separation of local publishing and broadcasting mandated by the FCC and approved by the court below is necessary to further that interest. The Federal Communications Commission has ample authority to supervise newspaper-affiliated broadcast stations to ensure their operation in the public interest and for decades has done so. In view of that authority and of the enforcement mechanisms available to the Commission, the wholesale classification of local newspaper publishers as ineligible to hold broadcast licenses is a far greater restriction than is necessary to further the governmental or public interest at stake.

The action of the court of appeals, in approving FCC regulations which single out an entire class of United States citizens, newspaper owners, for injurious and discriminatory treatment by barring them from eligibility for broadcast licenses in their community also raises serious questions under the equal protection guarantees found in the Fifth Amendment by *Bolling v. Sharpe*, 347 U.S. 497 (1954). The FCC's action affects a "basic civil right," namely, the right to publish a

newspaper, and, therefore, "strict scrutiny" of the discriminatory treatment is required. *Skinner v. Oklahoma ex rel. Williamson*, 316 U.S. 535 (1942). The court of appeals dismissed ANPA's equal protection argument in a footnote (FCC Appendix A at 29 n. 44), primarily relying on this Court's decision in *City of New Orleans v. Dukes*, 427 U.S. 297 (1976), which, however, is limited to classifications made in cases of purely economic regulation. The court of appeals failed to come to grips with the fact that where a classification is "closely intertwined" with First Amendment rights, this Court has made it clear that equal protection guarantees remain in full force and effect. *Police Department v. Mosley*, 408 U.S. at 95 (1972).

The potential impact of the decision below upon the structure of broadcasting and of the newspaper publishing business, the importance of the constitutional questions presented, and the unprecedented resolution of those questions by the lower court justify further review of the Commission's cross-ownership regulations by this Court.

II.

THE COURT OF APPEALS DECIDED A QUESTION REGARDING THE FCC'S STATUTORY AUTHORITY, OF CENTRAL IMPORTANCE TO THE ADMINISTRATION OF THE COMMUNICATIONS ACT, IN A WAY WHICH CONFLICTS WITH APPLICABLE GUIDELINES OF STATUTORY INTERPRETATION ESTABLISHED BY DECISIONS OF THIS COURT.

Given the constitutional impermissibility of a general rule denying newspaper publishers the right to obtain local broadcast licenses, and barring broadcasters from local newspaper publication altogether, it is hardly surprising that the Communications Act nowhere gives

the FCC express authority to promulgate such a rule. "We know of no provision of the statute or rule of law, and are cited to none, which forbids broadcasting by the owner of a newspaper." *Tri-State Broadcasting Co. v. FCC*, 96 F.2d 564, 566 (D.C. Cir. 1938). On the contrary, Section 309(a) of the Act envisions individualized consideration of "each application" – by means of an evidentiary hearing, if necessary – to determine whether the "public interest, convenience, and necessity" would be served by granting a broadcast license. 47 U.S.C. §309(a).

In *Stahlman v. FCC*, 126 F.2d 124, 127 (D.C. Cir. 1942), the court of appeals stated that the FCC is not empowered to enact a rule barring newspaper ownership of broadcast stations, and emphasized the constitutional underpinnings of this limit on the FCC's authority.

The court below conceded that *Stahlman* "appears to resolve the question of statutory authority," but then attempted to slough off its prior language as "dicta . . . based on a reading of the Commission's Act that has not prevailed" (FCC Appendix A at 28), citing *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956), as controlling. *Storer*, however, merely acknowledged the FCC's authority to allocate scarce spectrum by regulating the total number of broadcast stations which could be licensed to one entity. And *National Broadcasting Co. v. FCC*, 319 U.S. 190 (1943), also cited by the court below in this connection, merely upheld the FCC's chain broadcasting (network) rules and had no bearing on its authority to pass anti-newspaper regulations.

The importance this Court attaches to defining precisely the parameters of the FCC's authority under the Communications Act is illustrated by two recent cases. In *United States v. Southwestern Cable Co.*, 392

U.S. 157 (1968), the Court, in agreeing with the FCC that 47 U.S.C. §152(a) gave it authority to regulate CATV as a form of "communication by wire or radio," noted that certiorari had been granted "to consider [the] important question of regulatory authority." *Id.* at 161. Four years later the Court heard another case directly concerning the FCC's statutory authority. Chief Justice Burger, commenting in a concurring opinion on the Court's 5-4 decision upholding the FCC's requirement that CATV systems originate programming, stated: "Candor requires acknowledgment, for me at least, that the Commission's position strains the outer limits of even the open-ended and pervasive jurisdiction that has evolved by decisions of the Commission and the courts." *United States v. Midwest Video Corp.*, 406 U.S. 649, 676 (1972). The issue of statutory authority presented by the instant case is certainly no less important, since the decision below has an impact on all daily newspapers – concededly not subject to regulation by the FCC – and the entire public which they and broadcast stations serve.

The court below failed to recognize that the FCC lacks the authority to adopt rules barring daily newspapers from affiliation with local broadcast stations primarily because it did not properly assess two types of evidence which are generally important in statutory construction, and are of the utmost importance in this case. First, the court improperly assessed the meaning and importance of a contemporaneous and long-standing prior administrative interpretation, that of Hampson Gary, first General Counsel of the FCC. Mr. Gary, only three years after passage of the Communications Act, received an inquiry from Senator Wheeler as to whether or not the Commission "has the authority, at the present time, to deny an application of a

newspaper for radio facilities, on the ground that it is against public policy." Mr. Gary summarized his position in response to the inquiry as follows:

> "In my opinion, therefore, the Commission does not have the authority, under the existing law and in the absence of an expression of public policy on the subject by the Congress, to deny an application to a newspaper owner for radio facilities solely upon the ground that the granting of such an application would be against public policy."[4]

As the first General Counsel of the FCC, Mr. Gary was uniquely aware of Congress' intent and purposes in enacting the Communications Act, and his interpretation is entitled to great weight in construing the agency's authority to enact the rules here in issue.[5] This Court summarized the applicable principle in *Norwegian Nitrogen Products Co. v. United States*, 288 U.S. 294, 315 (1933), ruling that a long-standing prior administrative interpretation:

> "has peculiar weight when it involves a contemporaneous construction of a statute by the men

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[4]Legal Opinion of FCC General Counsel Hampson Gary submitted to the Senate Interstate Commerce Committee, Jan. 25, 1937. *See* FCC Appendix A at 26.

[5]The decision below also attacks the relevance of Mr. Gary's statement on the grounds that he did not consider "whether the Commission may enact license qualifications in the public interest." But Mr. Gary was, indeed, responding to an inquiry as to whether the Commission "has the authority" to deny licenses to newspapers on "public policy" grounds. His response, in effect, was that "public interest," not "public policy," was the statutory standard, and that newspaper ownership was "one fact among others to be considered." Had Mr. Gary felt that "license qualifications" could be used to deny licenses to all colocated newspapers, it surely would have been appropriate for him to say so in his discussion of the FCC's "authority."

> charged with the responsibility of setting its machinery in motion, of making the parts work efficiently and smoothly while they are yet untried and new."

The other type of evidence bearing heavily on the issue of the FCC's statutory authority in this case, which the court below also improperly failed to assess, is the remarkably consistent history of subsequent legislative interpretation. The legislative history of the Communications Act reveals that authoritative committees of Congress, some years after the original enactment of the Act, affirmatively declared that the Commission lacks authority to ban newspaper ownership of broadcast stations. This occurred in the late 1940's and early 1950's, when Congress considered, and rejected as unnecessary, several bills that would have expressly prohibited the FCC from barring license applications from newspapers. These bills had been introduced as part of a general review by Congress of the manner in which the Communications Act had been interpreted and administered by the Commission during the preceding 20 years. The failure to adopt this legislation was explained by a House-Senate Conference Committee in 1952, as part of an extensive series of amendments and revisions to Title III of the Act, as follows:

> "under the present law the Commission is not authorized to make or promulgate any rule or regulation the effect of which would be to discriminate against any person because such person has an interest in, or an association with, a newspaper. . . ."

Conference Report No. 2426, 82nd Cong., 2d Sess. (1952).[6]

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[6] A similar Congressional statement is found at S. Rep. No. 741, 81st Cong., 1st Sess. 2 (1950).

The court below dismissed this subsequent legislative interpretation in a footnote, labeling it "not useful in determining the meaning of the original legislation when enacted." (FCC Appendix A at 27 n. 41.) In so doing, it overlooked this Court's repeated teaching that a contemporaneous and longstanding construction of a statute by administrative officials, followed by a reenactment of or amendment to the Act which does not touch the administrative interpretation in question, is entitled to great weight. *See Chemehuevi Tribe of Indians v. FPC*, 420 U.S. 395, 409-10 (1975); *Saxbe v. Bustos*, 419 U.S. 65, 74 (1974); *NLRB v. Gullett Gin Co.*, 340 U.S. 361 (1951); 2A [Sutherland] Statutes and Statutory Construction §49.09 at 256-57 (4th ed. C. Sands 1973).

In sum, certiorari should be granted because an important question concerning the scope of the FCC's statutory authority is presented and merits consideration by this Court.

III.

THE COURT OF APPEALS USURPED THE FCC'S POLICY-MAKING ROLE IN A MANNER INCONSISTENT WITH ITS PROPER REVIEW FUNCTION AND APPLICABLE DECISIONS OF THIS COURT.

The FCC's conclusion not to order that most existing newspaper-broadcast combinations be divested was based on its weighing of numerous factors affecting the public interest as well as its judgments on key factual data before it concerning the level of existing diversity, such as the likelihood that there would be an increase in diversity from divestiture, the probable magnitude of that increase, and the quality of public service to be expected from unknown, new broadcast licensees as compared with the proven history of service by

newspaper-affiliated stations – as to which it even had a special factual analysis prepared by its own staff.

The court of appeals, while paying lip service to the rule of law that "courts are not to substitute their judgment for that of the Commission or review the facts de novo" (FCC Appendix A at 18), actually substituted its own policy evaluations concerning this evidence for those entrusted by Congress to the sound discretion of the FCC and in fact made by that agency in the proceeding below. This judicial policy-making is contrary to the proper role of the reviewing court, as that role has been frequently articulated and delineated in applicable decisions of this Court.

In the *Permian Basin Area Rate Cases*, 390 U.S. 747, 792 (1968), this Court held that:

> "The [court of appeals'] responsibility is not to supplant the Commission's balance of these interests with one more nearly to its liking, but instead to assure itself that the Commission has given reasoned consideration to each of the pertinent factors."

In particular, this Court has recently reiterated, in passing on judgments by the ICC under the same public interest standard as that contained in the Communications Act, that the weighing of consumer benefits against adverse impact on members of a regulated industry is "the kind of judgment that is entrusted to [the agency], a power to weigh the competing interests and arrive at a balance that is deemed 'the public convenience and necessity.'" *Bowman Transportation, Inc. v. Arkansas-Best Freight System, Inc.*, 419 U.S. 281, 293 (1974). Likewise, here the balancing of the respective interests in diversity, competition, public service, and economic injury to existing licensees, was

precisely and preeminently "the kind of judgment that is entrusted to" the FCC.

Moreover, in this case, the court of appeals arrogated to itself subjective judgments concerning the evidentiary weight to be attached by the agency to major economic, statistical, and social studies filed with the Commission in the rulemaking proceedings below. Seriatim, the court of appeals undertook to substitute for the Commission's experienced and informed discretion the court's own objections to studies of the effect of common ownership on broadcast station performance, on inter- and intramedia competition, on the measuring yardsticks by which the Commission should gauge multiplicity and diversity of the media, and on the economic and competitive consequences of divestiture. The court reached its own factual conclusion, after reviewing this extensive evidence, that "the record was essentially inconclusive" on the question of whether widespread divestiture was required, and on the basis of *its* conclusion then proceeded to order the Commission to direct such divestiture solely on a priori diversity grounds. (FCC Appendix A at 49.)

The court attributed its own evidentiary conclusions to the Commission, and asserted that on this inconclusive state of facts "[h]ad the Commission reasoned that because diversified ownership is prima facie in the public interest, local cross-ownership violates the public interest, it would have been rational for it to conclude that divestiture was generally called for, subject to any appropriate exceptions." (FCC Appendix A at 49.) Implicit in this view of what is "rational" was the court's own value judgment that diversity is a preeminent factor which conclusively determines and delineates the public interest. The court rejected the FCC's contrary recognition that diversity

must be balanced with other factors, the most important of which was quality of programming service. The court did address some of the competing interests given importance by the FCC, including local ownership and management, continuity of operations, and local economic dislocations, but only to disagree with the weight assigned by the agency to these admittedly relevant factors. (FCC Appendix A at 52-58.)

In addition to departing from the correct standard of review by making its own weighing of public interest factors, the court of appeals also ignored this Court's mandate that "[t]he court is not empowered to substitute its judgment for that of the agency." *Citizens To Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971). Instead, "the function of the reviewing court ends when an error of law is laid bare. At that point the matter once more goes to the Commission for reconsideration." *FPC v. Idaho Power Co.*, 344 U.S. 17, 20 (1952). "[A]n administrative determination in which is embedded a legal question open to judicial review does not impliedly foreclose the administrative agency, after its error has been corrected, from enforcing the legislative policy committed to its charge." *FCC v. Pottsville Broadcasting Co.*, 309 U.S. 134, 145 (1940).

Under these well-established principles, the FCC must retain full responsibility, on remand, to consider the "public convenience, interest, or necessity" in any further proceedings. *Id.* Yet, the court of appeals has ruled that the FCC, in the future, must adhere to a "presumption" of divestiture on remand. (FCC Appendix A at 60.) This overreaching by the court below violates the balance between the legislative and judicial functions identified in *Pottsville Broadcasting*, with the result that the court of appeals has read the applicable

standards of the Communications Act through the "distorting lenses" of its own policy preferences. 309 U.S. at 144.

The expansive standard of judicial review resorted to by the court of appeals in this case, and the single-valued notion of the public interest which resulted from the court's lack of judicial restraint will, unless modified on further review by this Court, have important consequences for the administration of the Communications Act. In the first place, the parties to FCC proceedings will be encouraged to take their dissatisfaction with FCC policy judgments to the several courts of appeals, thus prolonging the already lengthy administrative process and burdening those courts with matters properly consigned by the legislature to the agency's sound discretion. Second, a vast array of other issues, involving cross-ownership of other media, regional concentration of control, networks, conglomerate ownership, and comparative hearing policy – some only recently settled, others still under investigation – may have to be decided solely on the basis of promoting diversity, without attention to other factors. Thus, the lower court's improper substitution of its policy perceptions and values for those of the FCC presents an important question meriting plenary review by this Court.

CONCLUSION

For the reasons stated above, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1976

No. 76-1604

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION, *Petitioner*

v.

NATIONAL CITIZENS COMMITTEE FOR BROADCASTING, FEDERAL COMMUNICATIONS COMMISSION, and UNITED STATES OF AMERICA, *Respondents*

STATEMENT IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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IN THE

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STATEMENT IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

The Brockway Company, Watertown, New York, respondent herein, by its attorneys, submits the following statement in support of the Petition for Certiorari in the above case filed May 16, 1977.

For many years, The Brockway Company has published the Watertown Daily Times, Watertown, N.Y. (population 30,787), and has been the licensee of station WWNY-TV in nearby Carthage, N.Y. (population 3,889).

Brockway was a party to the rulemaking proceeding before the Federal Communications Commission, which proceeding culminated in the Second Report and Order, 50 FCC 2d 1046, on reconsideration, 53 FCC 2d 589 (repro-

duced in the Federal Communications Commission's Appendix to its Petition for Writ of Certiorari, No. 76-1471, at pp. 61-158). This Second Report and Order requires a Brockway divestiture within five years of either WWNY-TV or The Watertown Daily Times.

Brockway was a petitioner in the proceeding to review the Second Report and Order in the United States Court of Appeals for the District of Columbia Circuit (Case #75-1614). That Court vacated in part the Federal Communications Commission's Second Report and Order and remanded the record for adoption of a rule in conformity with the Court's opinion. National Citizens Committee for Broadcasting, et al. v. Federal Communications Commission and United States of America, et al., No. 75-1064 (FCC App. 1-60). The Court below sustained the Commission's prospective ban on cross-ownership of co-located newspapers and broadcast stations, but reversed that part of the FCC's Second Report and Order which declined, except in a few cases like Brockway, to ban cross-ownership of existing co-located broadcast stations and daily newspapers. Respondent is adversely affected by the decision of the Court below holding that the cross-ownership rules do not exceed the Commission's authority nor violate the First and Fifth Amendments of the Constitution, and directing the Commission to promulgate a rule which would require divestiture in every market where such cross-ownership exists. However, Respondent concurs with that part of the decision below holding that the lines drawn by the Commission between the few cases where divestiture was ordered and all other co-located combinations were arbitrary, capricious, and without record support.

Respondent supports the Petition for Writ of Certiorari filed May 16, 1977, by the Petitioner herein, and, for the

reasons expressed therein, respectfully urges this Court to issue such Writ.

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JOINT RESPONSE IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Comes now the respondents listed below, and hereby support the petition for certiorari filed in the above-enumerated case.

IDENTITY OF RESPONDENTS

OWOSSO, MICHIGAN

Owosso Broadcasting Company, Inc., the licensee of Radio Stations WOAP(AM) and WOAP-FM, Owosso, Michigan, is wholly owned by the Owosso Argus Press Company, which publishes the *Argus-Press*, a daily newspaper in Owosso, Michigan.

Owosso is located in central Michigan, approximately 85 miles northwest of Detroit and 80 miles east of Grand Rapids. According to the United States Census, the city's

1970 population was 17,179. Although WOAP and WOAP-FM are the only radio stations providing city grade service to the city of Owosso, the transmitter of a network affiliated VHF television station (WJRT-TV) licensed to nearby Flint, Michigan, is located about 10 miles from Owosso and provides a city grade signal over the city's entire home county of Shiawassee.[1]

The *Argus-Press* was established in Owosso in 1854 and, with the exception of WOAP and WOAP-FM, owns no other media of mass communications. Believing that the city needed a broadcast facility, the newspaper filed an application with the Federal Communications Commission for a 250 watt, daytime only station as soon as materials became available after World War II. The application was filed in December of 1946 and WOAP began operations in December of 1947. In 1959, the station's power was increased from 250 watts to 1000 watts.

In an effort to provide Owosso with a full-time local broadcast service, Owosso Broadcasting Company, Inc. filed an application with the Commission for an FM station in 1963. The application was granted, the station constructed and WOAP-FM, a 3000 watt local FM station, began operation in 1965.

In the almost 30 years since the owners of the *Argus-Press* became radio station licensees, the Commission has examined the operations of the station(s) each three years and has regularly found that license renewal would be in the public interest. The most recent renewals were granted in September of 1976.

NORFOLK, NEBRASKA

WJAG, Incorporated, is the licensee of broadcast stations WJAG(AM) and WJAG-FM, Norfolk, Nebraska.

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[1] Television Factbook (1977 Ed.), p. 416(b).

WJAG, Incorporated is wholly owned by Huse Publishing Company, the publisher of the *Norfolk Daily News*.

Norfolk, Nebraska, is a town of approximately 16,000 persons. Huse placed WJAG(AM) on the air in 1922. It was the second station to commence broadcast operations in Nebraska. WJAG(AM) has been licensed and relicensed to operate under the same ownership for 54 years as a result of Commission determinations that WJAG's operation was in the public interest.

WJAG's commitment to community service is also exemplified by the history of WJAG-FM. Since WJAG (AM) was a daytime only station, WJAG sought to provide a full-time aural service by requesting the allocation of an FM channel to Norfolk, Nebraska. It then opposed a switch in allocated frequencies which had the potential of creating interference to television reception in the Norfolk area. WJAG-FM was placed on the air on July 26, 1971.

Huse Publishing Company has published the *Norfolk Daily News* since 1887. The *Daily News* is published six days a week and has a daily circulation of approximately 21,000.

BLUEFIELD, WEST VIRGINIA

Daily Telegraph Printing Company ("Daily Telegraph") is the licensee of broadcast stations WHIS(AM), WHAJ(FM) and WHIS-TV, Bluefield, West Virginia, a community of approximately 16,000 persons. Daily Telegraph is also the publisher of the *Bluefield Daily Telegraph*, a daily newspaper in Bluefield.

Daily Telegraph put Station WHIS(AM) on the air in 1929 and has owned and operated the station since that date. The FM station, WHAJ, was initially activated in the late 1940's and, after going off the air during the 1950's, has continued in service since 1963. Daily Telegraph was responsible for persuading the Commission

to amend the Table of Television Assignments to assign Channel 6 to Bluefield as a first useable VHF allocation for that area and, as a result, activated WHIS-TV in 1955. Daily Telegraph has published the *Bluefield Daily Telegraph* since 1896.

Thus, for almost half a century the common media ownership in Bluefield has been known and approved by the Commission.

REASONS FOR GRANTING CERTIORARI

Respondents are three of a number of very small newspaper-broadcast combinations adversely affected by the Court of Appeals' decision which requires divestiture without regard to prior meritorious service or the consequences to the public or the licensee.[2] Some of these operations were subject to divestiture pursuant to the Federal Communications Commission's decision in *Multiple Ownership*, 50 F.C.C.2d 1046, *reconsidered*, 53 F.C.C.2d 589 (1975);[3] others, however, are now faced with divestiture for the first time.

The Court of Appeals' decision could cause wholesale disruption in many smaller markets. Attached as an Appendix to this Response is a list of the thirty-seven communities with populations of 20,000 or less which will be affected by the order. The owners operating in

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[2] National Citizens Committee for Broadcasting v. Federal Communications Commission, No. 75-1064 (D. C. Cir., decided March 1, 1977). The decision is reprinted in "Petitioner's Appendix" filed by the Federal Communications Commission in No. 76-1471 at p. 1. Hereinafter, said Appendix will be cited as "FCC App."

[3] FCC App. at 61-158. The Court of Appeals found the Commission's selection of these markets for divestiture to be "arbitrary". *Id.* at 59. However, the Court ultimately concluded that all co-located, co-owned, newspaper-broadcast properties were subject to divestiture regardless of market circumstances.

such small markets, in most instances local citizens with long histories of service to their small communities, face the gravest of consequences. In some instances, the broadcast property generates revenues used to support the newspaper.[4] Thus, the Court's decision at worst will constitute a death knell for some small town owner-publishers and at best will result in diminishing rather than enhancing the quality and quantity of local media service in many small communities throughout the United States.

As the American Newspaper Publishers Association, Petitioner in No. 76-1604, has indicated, the Court below ignored fundamental constitutional questions in upholding the Federal Communications Commission's attempt to bar daily newspaper publishers as a class from holding broadcast licenses to serve their local communities. Further, the Court misapplied Commission and judicial precedent when it concluded as a matter of law that diversity of ownership is the paramount element, to the virtual exclusion of all other criteria, to be considered in determining the public interest, convenience and necessity under the Communications Act of 1934, as amended [47 U.S.C. §151 *et seq.* (1970)]. This revolutionary conclusion was reached by the Court without regard to the record compiled in the rulemaking proceeding before the Commission. The Court, quite simply and improperly, substituted its judgment for that of the Federal Communications Commission.

In summary, it is respectfully submitted that the petition for certiorari filed in this proceeding should be granted because it presents "an important question of federal law which has not been, but should be, settled by this Court," and that the court below "so far departed

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[4] A fact alleged by a number of joint owners in the rulemaking proceeding. Multiple Ownership, 50 F.C.C. 2d 1046, 1067 (1975); FCC App. at 82.

from the accepted and usual course of judicial proceedings . . . as to call for an exercise of this court's power of supervision." Supreme Court Rule 19(1)(b).

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SMALL COMMUNITIES AFFECTED BY ACROSS-THE-BOARD NEWSPAPER-BROADCAST DIVESTITURE

COMMUNITY	1970 POPULATION	NEWSPAPER	BROADCAST STATION
Camden, Arkansas	15,147	*Camden News*	KAMD & KWEH (FM)
Springdale, Arkansas	16,783	*Springdale News*	KBRS
Coeur d'Alene, Idaho	16,228	*Coeur d'Alene Press*	KVNI
Effingham, Illinois	9,458	*Effingham News*	WCRA & WCRC (FM)
La Salle, Illinois	10,736	*Daily News-Tribune*	WLPO AM & FM
Macomb, Illinois	19,643	*Macomb Daily Journal*	WKAI AM & FM
Connersville, Indiana	17,604	*Connersville News-Examiner*	WCNB AM & FM
Warsaw, Indiana	7,506	*Warsaw Times-Union*	WRSW AM & FM
Arkansas City, Kansas	13,216	*Arkansas City Traveler*	KSOK
Coffeyville, Kansas	15,116	*Coffeyville Journal*	KGGF
Dodge City, Kansas	14,127	*Dodge City Daily Globe*	KGNO AM & FM
Garden City, Kansas	14,708	*Garden City Telegram*	KIUL

COMMUNITY	1970 POPULATION	NEWSPAPER	BROADCAST STATION
McPherson, Kansas	10,851	*McPherson Sentinel*	KNEX AM & FM
Corbin, Kentucky	7,317	*Corbin Times-Tribune*	WCTT AM & FM
Albion, Michigan	12,112	*Albion Recorder*	WALM
Benton Harbor, Michigan	16,481	*The Herald Palladium*	WHFB AM & FM
Owosso, Michigan	17,179	*Owosso Argus Press*	WOAP AM & FM
New Ulm, Minnesota	13,051	*New Ulm Daily Journal*	KNUJ AM & FM
Warrensburg, Missouri	13,125	*Warrensburg Star-Journal*	KOKO
Miles City, Montana	9,023	*Miles City Star*	KATL
Norfolk, Nebraska	16,607	*Norfolk Daily News*	WJAG AM & FM
Asbury Park, New Jersey	16,553	*Asbury Park Press*	WJLK AM & FM
Grants, New Mexico	8,768	*Grants Daily Beacon*	KMIN
Olean, New York	19,169	*Olean Times-Herald*	WHDL & WEBF (FM)
Asheboro, North Carolina	10,797	*Asheboro Courier-Tribune*	WGWR & WCSE (FM)
Wooster, Ohio	18,703	*Wooster Daily Record*	WWST AM & FM

COMMUNITY	1970 POPULATION	NEWSPAPER	BROADCAST STATION
Durant, Oklahoma	11,118	*Durant Democrat*	KSEO AM & FM
Grants Pass, Oregon	12,445	*Grants Pass Courier*	KAGI
Clearfield, Pennsylvania	8,176	*Clearfield Progress*	WCPA AM & FM
DuBois, Pennsylvania	10,112	*Dubois Courier-Express*	WCED AM & FM
Gettysburg, Pennsylvania	7,275	*Gettysburg Times*	WGET AM & FM
Huntingdon, Pennsylvania	6,987	*Huntingdon News*	WHUN & WRLR (FM)
Lansdale, Pennsylvania	18,451	*North Penn Reporter*	WNPV
Orangeburg, South Carolina	13,252	*Orangeburg Times & Democrat*	WTND
Fredericksburg, Virginia	14,450	*Fredericksburg Free Lance-Star*	WFLS AM & FM
Bluefield, West Virginia	15,921	*Bluefield Daily Telegraph*	WHIS AM & TV WHAJ (FM)
Wisconsin Rapids, Wisconsin	18,587	*Wisconsin Rapids Tribune*	WFHR WRW (FM)

SL 7 PAGE 24

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Respondents.

PETITIONER'S REPLY MEMORANDUM

The National Citizens Committee for Broadcasting (NCCB), in its opposing brief in Nos. 76-1471, 76-1521, 76-1595, 76-1604, 76-1624, and 76-1685, virtually ignores the constitutional questions and issues bearing on the correct role of the Federal Communications Commission (FCC) and the court of appeals in administering the Communications Act raised by the American Newspaper Pub-

lishers Association and other Petitioners. Instead, NCCB, conceding "the considerable impact of the decision" (Opp. at 7), presents the argument it would make on the merits, assuming certiorari should be granted.

Perhaps recognizing the weakness of its arguments on the merits, NCCB seems to fall back on the position that the time is not ripe for review by this Court. NCCB states "there will necessarily be a 'Third Report and Order'" by the FCC and, therefore, "[t]his Court need not review a clearly defective 'Second Report and Order.'" (Opp. at 14). NCCB's suggestion misrepresents the status of this case. In fact, the Second Report and Order is a final order of the FCC, and the court of appeals has finally disposed of the constitutional, statutory, and policy issues in the Second Report and Order which were appealed. While there may well be another order by the FCC if the proceeding is remanded to it, these issues will not be decided over again. The court of appeals has only left the FCC free to act within the narrow confines of *its own* policy determinations.

Moreover, if further proceedings were to be held by the FCC prior to a definitive resolution of the basic underlying questions regarding its authority and the policy it must follow, years of further litigation may take place "in the dark." Thus, there is no reason to

postpone this Court's review, and a pressing need for a resolution of the important issues raised prior to further action by the FCC.

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On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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BRIEF FOR PETITIONER AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION

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PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

INDEX

Page

Opinions Below 1

Jurisdiction 2

Questions Presented 2

Constitutional Provisions, Statutes, and Regulations Involved 3

Statement of the Case 3

Summary of Argument 13

Argument 17

I. The Preclusion of Publishers of Daily Newspapers from Holding Licenses for Co-Located Broadcast Stations Is Unconstitutional 17

A. Regulations Conditioning the Right To Publish a Daily Newspaper on Forbearance from Engaging in Broadcasting Are Contrary to the First Amendment 17

B. Discrimination in Broadcast Licensing Against Those Who Exercise Their Basic Civil Right To Publish a Newspaper Also Violates the Equal Protection Guarantee of the Fifth Amendment 27

II. Congress Has Not Delegated Authority to the FCC To Adopt Rules Barring Daily Newspapers from Affiliation with Local Broadcast Stations 29

A. The Statutory Provisions Relied on by the FCC and the Court Below and This Court's Decision in *Storer Broadcasting* Do Not Resolve the Question of Whether the FCC Is Empowered To Adopt Anti-Newspaper Regulations 29

B. Until the Present Case, the FCC, Congress, and the Courts Have Consistently Interpreted

Page

the Communications Act as Giving the FCC No Authority To Discriminate Against Newspaper Owners in Granting or Withholding Broadcast Licenses 34

III. The FCC's Prospective Rules Represent an Unjustified Reversal of Its Prior Licensing Policies Which Is Not Founded on a Reasoned Analysis of the Record 46

IV. The Lower Court Erred in Reversing the FCC's Decision Not To Divest Most Existing Newspaper-Broadcast Combinations 50

A. The FCC Reasonably Concluded from the Record that There Was No Factual Basis for Divestiture and that There Was Support for the Continued Licensing of Existing Broadcast Stations Affiliated with Local Newspapers 50

1. The record contained adequate data for the FCC to use in decisionmaking and the FCC made conclusions based on the record 50

2. The FCC's decision not to divest most existing combinations was based on its conclusions from the record 56

B. The Renewal of Existing Broadcast Station Licenses Held by Local Newspaper Publishers Is Entirely Consistent with Applicable Law and Precedent 59

1. The goal of diversity, as only one of many factors bearing on the public interest, does not create a presumption against newspaper-broadcast cross-ownership 59

2. There is no legal requirement that the FCC act retroactively and divest existing combinations 67

C. The Court of Appeals Went Beyond Its Proper Judicial Role and Purported To Dictate the Rule Which the Agency Must Adopt 72

Conclusion 74

CASES: Page

Ashbacker Radio Corp. v. *FCC*, 326 U.S. 327 (1945) ... 29
Associated Press v. *NLRB*, 301 U.S. 103 (1937) 19
Associated Press v. *United States*, 326 U.S. 1 (1945) ..19, 23
Bolling v. *Sharpe*, 347 U.S. 497 (1954) 27
Bowman Transportation, Inc. v. *Arkansas-Best Freight System, Inc.*, 419 U.S. 281 (1974) 64
Buckeye Cablevision, Inc. v. *FCC*, 387 F.2d 220 (D.C. Cir. 1967) 68
Buckley v. *Valeo*, 424 U.S. 1 (1976) 25
Chemehuevi Tribe of Indians v. *FPC*, 420 U.S. 395 (1975) 45
Chemical Bank New York Trust Co. v. *Steamship Westhampton*, 231 F. Supp. 284 (D. Md. 1964), *aff'd*, 358 F.2d 574 (4th Cir.), *cert. denied*, 385 U.S. 921 (1966) 36
Chicago Police Department v. *Mosley*, 408 U.S. 92 (1972) 18, 28
Citizen Publishing Co. v. *United States*, 394 U.S. 131 (1969) 19
Citizens Communications Center v. *FCC*, 447 F.2d 1201 (D.C. Cir. 1971) 16, 63
Citizens To Preserve Overton Park, Inc. v. *Volpe*, 401 U.S. 402 (1971) 51
City of New Orleans v. *Dukes*, 427 U.S. 297 (1976) 28
Clarksburg Publishing Co. v. *FCC*, 225 F.2d 511 (D.C. Cir. 1955) 8
Columbia Broadcasting System, Inc. v. *Democratic National Committee*, 412 U.S. 94 (1973) 25, 26
Columbus Broadcasting Coalition v. *FCC*, 505 F.2d 320 (D.C. Cir. 1974) 69
Committee for Open Media v. *FCC*, 533 F.2d 1 (D.C. Cir. 1976) 69
Community-Service Broadcasting of Mid-America, Inc. v. *FCC*, 41 Rad. Reg. 2d (P&F) 731 (D.C. Cir. Sept. 15, 1977) 28
Crowell v. *Benson*, 285 U.S. 22 (1932) 34
FCC v. *Pottsville Broadcasting Co.*, 309 U.S. 134 (1940) 73
Fidelity Television, Inc. v. *FCC*, 515 F.2d 684 (D.C. Cir. 1975) 46, 63
FPC v. *Idaho Power Co.*, 344 U.S. 17 (1952) 17, 72-73
FRC v. *Nelson Brothers Bond & Mortgage Co.*, 289 U.S. 266 (1933) 22
FTC v. *Mandel Brothers*, 359 U.S. 385 (1959) 36

Page

Gitlow v. *New York*, 268 U.S. 652 (1925) 27
Greater Boston Television Corporation v. *FCC*, 444 F.2d 841 (D.C. Cir. 1970), *cert. denied*, 403 U.S. 923 (1971) 46, 48, 71
Grosjean v. *American Press*, 297 U.S. 233 (1936) 18, 19
Hawaiian Telephone Co. v. *FCC*, 498 F.2d 771 (D.C. Cir. 1974) 60
Independent Bankers Association of Georgia v. *Board of Governors of the Federal Reserve System*, 516 F.2d 1206 (D.C. Cir. 1975) 16
Johnson v. *Robison*, 415 U.S. 361 (1974) 27
Knipe v. *Commissioner*, 24 TAX CT. MEM. DEC. (CCH) 668 (1965) 71
Lynch v. *Overholser*, 369 U.S. 705 (1962) 34, 46
Madison Joint School District No. 8 v. *Wisconsin Employment Relations Commission*, 429 U.S. 167 (1976) 18
Mancuso v. *Taft*, 476 F.2d 187 (1st Cir. 1973) 28
Mansfield Journal Co. v. *FCC*, 180 F.2d 28 (D.C. Cir. 1950) 61
Massachusetts Bay Telecasters, Inc. v. *FCC*, 261 F.2d 55 (D.C. Cir. 1958), *modified*, 295 F.2d 131, *cert. denied*, 366 U.S. 918 (1961) 62
Mazer v. *Stein*, 347 U.S. 201 (1954) 36
McClatchy Broadcasting Co. v. *FCC*, 239 F.2d 15 (D.C. Cir. 1956), *cert. denied*, 353 U.S. 918 (1957) 61, 62
Miami Herald Publishing Co. v. *Tornillo*, 418 U.S. 241 (1974) 18, 25, 26
NAACP v. *Button*, 371 U.S. 415 (1963) 28
National Association of Regulatory Utility Commissioners v. *FCC*, 525 F.2d 630 (D.C. Cir.), *cert. denied*, 425 U.S. 992 (1976) 64
National Broadcasting Co. v. *United States*, 319 U.S. 190 (1943) 22, 23, 59, 67
National Citizens Committee for Broadcasting v. *FCC*, 555 F.2d 938 (D.C. Cir. 1977) .....*passim*
Near v. *Minnesota ex rel. Olson*, 283 U.S. 697 (1931) .. 19
New York Times Co. v. *Sullivan*, 376 U.S. 254 (1964) ..17-18
Niemotko v. *Maryland*, 340 U.S. 268 (1951) 18
NLRB v. *Food Store Employees*, 417 U.S. 1 (1974) ... 73
NLRB v. *Gullett Gin Co.*, 340 U.S. 361 (1951) 45
Norwegian Nitrogen Products Co. v. *United States*, 288 U.S. 294 (1933) 36

Page

Oklahoma Press Publishing Co. v. *Walling*, 327 U.S. 186 (1946) 19
Permian Basin Area Rate Cases, 390 U.S. 747 (1968) 46, 50, 64
Pinellas Broadcasting Co. v. *FCC*, 230 F.2d 204 (D.C. Cir.), *cert. denied*, 350 U.S. 1007 (1956) 61, 62
Prairie Construction Co. v. *Local No. 627, International Union of Operating Engineers*, 425 U.S. 800 (1976) 73
Red Lion Broadcasting Co. v. *FCC*, 395 U.S. 367 (1969) 22, 23, 55
Reed v. *Reed*, 404 U.S. 71 (1971) 27
Richmond Television Corporation v. *United States*, 354 F.2d 410 (4th Cir. 1965) 71, 72
Saxbe v. *Bustos*, 419 U.S. 65 (1974) 45
Scripps-Howard Radio, Inc. v. *FCC*, 189 F.2d 677 (D.C. Cir.), *cert. denied*, 342 U.S. 830 (1951) 31, 62
SEC v. *Chenery Corporation*, 318 U.S. 80 (1943) 73
SEC v. *Chenery Corporation*, 332 U.S. 194 (1947) 70
Sherbert v. *Verner*, 374 U.S. 398 (1963) 26
Skinner v. *Oklahoma ex rel. Williamson*, 316 U.S. 535 (1942) 27
Speiser v. *Randall*, 357 U.S. 513 (1958) 20, 21
Stahlman v. *FCC*, 126 F.2d 124 (D.C. Cir. 1942) ..37, 38, 62
Times-World Corporation v. *United States*, 251 F. Supp. 43 (W.D. Va. 1966) 66, 71
Tri-State Broadcasting Co. v. *FCC*, 96 F.2d 564 (D.C. Cir. 1938) 62
United States v. *American Trucking Associations*, 310 U.S. 534 (1940) 36
United States v. *Macdaniel*, 32 U.S. (7 Pet.) 1 (1833) .. 69
United States v. *Maher*, 307 U.S. 148 (1939) 70
United States v. *Midwest Video Corp.*, 406 U.S. 649 (1972) 32
United States v. *O'Brien*, 391 U.S. 367 (1968) 28
United States v. *Radio Corporation of America*, 358 U.S. 334 (1959) 60
United States v. *Southwestern Cable Co.*, 392 U.S. 157 (1968) 32
United States v. *Storer Broadcasting Co.*, 351 U.S. 192 (1956) 15, 30, 31, 33
United States v. *Thirty-Seven Photographs*, 402 U.S. 363 (1971) 34
United States v. *Witkovitch*, 353 U.S. 194 (1957) 34

Page

WAIT Radio v. *FCC*, 418 F.2d 1153 (D.C. Cir. 1969), *cert. denied*, 409 U.S. 1027 (1972) 46

STATUTES AND REGULATIONS:

Administrative Procedure Act, 5 U.S.C. § 706 (2)(A) (1970) 50

Communications Act of 1934, 48 Stat. 1064, *as amended*, 47 U.S.C. § 151 *et seq.*:

Section 2(a), 47 U.S.C. § 152(a) (1970) 3, 30, 32

Section 4(i), 47 U.S.C. § 154(i) (1970) 3, 30, 31

Section 4(j), 47 U.S.C. § 154(j) (1970) 3, 30, 32

Section 301, 47 U.S.C. § 301 (1970) 3

Section 303(g), 47 U.S.C. § 303(g) (1970) 3

Section 303(r), 47 U.S.C. § 303(r) (1970) 3, 30, 31

Section 307(a), 47 U.S.C. § 307(a) (1970) 3, 29, 62

Section 307(d), 47 U.S.C. § 307(d) (1970) 3

Section 308(b), 47 U.S.C. § 308(b) (1970) 30

Section 309, 47 U.S.C. § 309 (1970) 3, 31

Section 309(a), 47 U.S.C. § 309(a) (1970) 30, 31, 62

Section 309(d), 47 U.S.C. § 309(d) (1970) 3

Section 309(e), 47 U.S.C. § 309(e) (1970) 30

Section 310(a), 47 U.S.C. § 310(a) (1970) 30

Section 313, 47 U.S.C. § 313 (1970) 30

Section 402(a), 47 U.S.C. § 402(a) (1970) 10

47 C.F.R. § 1.597 (1976) 66

47 C.F.R. § 73.35 (1976) 3

47 C.F.R. § 73.35(a) (1976) 8

47 C.F.R. § 73.240 (1976) 3

47 C.F.R. § 73.240(a)(1) (1976) 8

47 C.F.R. § 73.636 (1976) 3

Page

47 C.F.R. § 73.636(a)(1) (1976) 8

47 C.F.R. § 73.685(a) (1976) 9

FEDERAL COMMUNICATIONS COMMISSION DECISIONS AND ORDERS:

Applications for Voluntary Assignments or Transfers of Control, 32 F.C.C. 689 (1962) 66

Belo Broadcasting Corp., 47 F.C.C.2d 540 (1974) 60

Cable Television Report and Orders, 36 F.C.C.2d 143 (1972) 68

Capitol Broadcasting Co., 11 F.C.C. 859 (1947) 61

Distribution of Television Broadcast Signals by CATV Systems, 2 F.C.C.2d 725 (1966) 68

First Report and Order (Docket No. 18110), 22 F.C.C. 2d 306 (1970) 5

Further Notice of Proposed Rulemaking (Docket No. 18110), 22 F.C.C.2d 339 (1970) 5, 6

Lee Enterprises, Inc., 23 F.C.C.2d 522 (1970) 60

Memorandum Opinion and Order (Docket No. 18110), 45 F.C.C.2d 768 (1975) 6, 7

Memorandum Opinion and Order, 53 F.C.C.2d 589 (1975) 10

Le Mond, Jones & Fisher, 11 F.C.C. 919 (1947) 61

Multiple Ownership of Standard, FM and Television Broadcast Stations, 45 F.C.C. 1476 (1964) 68

Multiple Ownership of Standard, FM and Television Broadcast Stations, 22 F.C.C.2d 306 (1970) 68, 69

Notice of Proposed Rulemaking, 25 Fed. Reg. 12898 (1960) 66

Notice of Proposed Rulemaking (Docket No. 18110), 33 Fed. Reg. 5315 (1968) 4

Order No. 79, 6 Fed. Reg. 1580 (1941) 36-37

Order No. 79-A, 6 Fed. Reg. 3302 (1941) 37

Page

Orlando Daily Newspapers, Inc., 11 F.C.C. 760 (1946) .60, 61

Policy Statement on Comparative Broadcast Hearings, 1 F.C.C.2d 393 (1965) 47, 60, 61, 65

Policy Statement on Newspaper Ownership, 9 Fed. Reg. 702 (1944) 37, 45, 60

Radio Wisconsin, Inc., 20 F.C.C. 235 (1955) 61

Revision of FM Broadcast Rules, 40 F.C.C. 720 (1962) . 68

Second Report and Order (Docket No. 18110), 50 F.C.C. 2d 1046 (1975) .....*passim*

Seven (7) League Productions, Inc. (WIII), 1 F.C.C.2d 1597 (1965) 60

Times Publishing Co., 4 F.C.C. 400 (1937) 61

WHDH, Inc., 16 F.C.C.2d 1 (1969) 13

MISCELLANEOUS:

CONFERENCE REPORT No. 2426, 82d Cong., 2d Sess. (1952) 43-44

K. DAVIS, ADMINISTRATIVE LAW TREATISE (1958) 69

FCC, *Report on Chain Broadcasting* (1941) 67

Geller, *The Comparative Renewal Process in Television: Problems and Suggested Solutions*, 61 VA. L. REV. 471 (1975) 66-67

Hearings on Miscellaneous Bills To Amend the Communications Act of 1934 Before a Subcomm. of the House Interstate and Foreign Commerce Comm., 84th Cong., 2d Sess. 83 (1956) 44

Hearings on S. 1973 Before a Subcomm. of the Senate Interstate and Foreign Commerce Comm., 81st Cong., 1st Sess. (1949) 40, 41

H.R. REP. No. 2095, 78th Cong., 2d Sess. (1945) 37

Legal Opinion of FCC General Counsel Hampson Gary submitted to the Senate Interstate Commerce Committee, Jan. 25, 1937 .....35, 36, 37

Page

Letter from Senator Wheeler, Chairman of the Senate Interstate Commerce Committee to the FCC, Jan. 7, 1937 34-35

The Newspaper-Radio Decision, 7 J. FED. COM. B.A. 11 (Feb. 1944) 45

S. 814, 78th Cong., 1st Sess. (1943) 39

S. 1333, 80th Cong., 1st Sess. (1947) 39

S. 1973, 81st Cong., 1st Sess. (1949) 40, 43

S. REP. No. 741, 81st Cong., 1st Sess. (1949) 39, 41-43

2A [SUTHERLAND] STATUTES AND STATUTORY CONSTRUCTION (4th ed. C. Sands 1973) 45

U.S. CONST. amend. I 3, 14, 63

U.S. CONST. amend. V 3, 14

K. VONNEGUT, JR., *Harrison Bergeron*, in WELCOME TO THE MONKEY HOUSE 7 (1961) (Dell ed. 1970) 24

IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 76-1604

(Consolidated with Nos. 76-1471, 76-1521, 76-1595, 76-1624, and 76-1685)

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION,
Petitioner,

v.

NATIONAL CITIZENS COMMITTEE FOR BROADCASTING, FEDERAL COMMUNICATIONS COMMISSION, and UNITED STATES OF AMERICA, *Respondents.*

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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BRIEF FOR PETITIONER AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION

OPINIONS BELOW

The opinion of the court of appeals (A. 339-431) is reported at 555 F.2d 938. The opinions of the Federal Communications Commission (FCC) (A. 134-316 and A. 317-338) are reported at 50 F.C.C.2d 1046 and 53 F.C.C.2d 589.

JURISDICTION

The judgment of the court of appeals was entered on March 1, 1977 (A. 432-434). The FCC's motion to the court of appeals to stay the mandate was granted in part on April 5, 1977 by order of the court of appeals (A. 435-444). The petition for a writ of certiorari in No. 76-1604 was filed May 16, 1977. The petition for a writ of certiorari was granted and this case was consolidated with Nos. 76-1471, 76-1521, 76-1595, 76-1624, and 76-1685 on October 3, 1977. The jurisdiction of this Court rests on 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

1. Whether the court below erred in holding that the FCC, consistently with the First and Fifth Amendments to the Constitution and the Communications Act, can adopt a general rule barring daily newspaper publishers from acquiring licenses for any broadcast stations in the communities where their papers are published and requiring broadcasters to forfeit their station licenses as a condition of exercising their right to publish daily newspapers in the communities served by their broadcast stations.

2. Whether the court of appeals overstepped the proper bounds of judicial review of an FCC rulemaking where, because of its different view of the relative weight to be accorded the factors of diversity and public service in broadcasting, it ordered the agency to direct the wholesale divestiture of existing broadcast stations affiliated with local daily newspapers despite the FCC's conclusion, after a balancing of the competing interests, that such action is unnecessary and not in the public interest.

CONSTITUTIONAL PROVISIONS, STATUTES, AND REGULATIONS INVOLVED

The First Amendment to the Constitution provides, in relevant part:

> "Congress shall make no law . . . abridging the freedom . . . of the press . . . ."

The Fifth Amendment provides, in relevant part:

> "No person shall . . . be deprived of life, liberty, or property, without due process of law . . . ."

Sections 2(a), 4(i), 4(j), 301, 303(g), 303(r), 307(a), 307(d), 309(a), and 309(d) of the Communications Act of 1934, 48 Stat. 1064, *as amended*, 47 U.S.C. §§ 152(a), 154(i), 154(j), 301, 303(g), 303(r), 307(a), 307(d), 309(a), and 309(d) are set forth in the Appendix (A. 27-32).

The FCC's Multiple Ownership rules, 47 C.F.R. §§ 73.35, 73.240, and 73.636, are set forth as Appendix F of the FCC's Second Report and Order, 50 F.C.C.2d 1046, 1099-1106 (A. 243-263) and as modified on reconsideration, 53 F.C.C.2d 589, 599 (A. 317-338).

STATEMENT OF THE CASE

This case involves rules adopted by the FCC in 1975 designed to prohibit prospectively the licensing of broadcast stations to persons who also have an interest in daily newspapers in the same communities, without disrupting long-existing ownership patterns.

1. *Introduction*

In the early years of broadcasting, the FCC repeatedly found that the public interest would be served by newspaper owners establishing radio stations in their

communities. Later, when FM radio and television were untried media with an uncertain future, newspaper publishers again pioneered in bringing these new services to the public. In recent years, the numerical significance of newspaper-affiliated stations has declined as some combinations have been voluntarily separated and as other types of businesses have become interested in broadcasting. Nonetheless, many broadcast stations continue to be affiliated with local newspapers.

The American Newspaper Publishers Association (ANPA) is a non-profit membership corporation organized and existing under the laws of the Commonwealth of Virginia. Its membership consists of more than 1250 newspapers representing over 90% of the total daily and Sunday newspaper circulation and a sizable portion of the weekly circulation in the United States. ANPA has for many years been concerned with the rights of its members to engage in broadcasting on an equal basis with all others. Throughout the proceedings below, ANPA has adhered to its basic position that the Constitution precludes the FCC from promulgating any general rule which would disqualify daily newspaper publishers as a class from being granted licenses to operate broadcast stations in the communities where their newspapers are published.

2. *The FCC's Proceeding in Docket No. 18110*

In 1968, the FCC began to explore amendments to its rules which would deny additional new broadcast licenses to applicants who already had one license in the same locality. *Notice of Proposed Rulemaking (Docket No. 18110)*, 33 Fed. Reg. 5315 (1968). The Antitrust Division of the Department of Justice filed comments in response to the FCC's Notice on August 1,

1968, which, without making any specific allegations of anticompetitive practices by newspaper-broadcast combinations, urged the FCC to broaden its proposed "one to a customer" amendment to include daily newspapers as well as the AM radio, FM radio, and television stations over which the FCC has direct licensing responsibility. On March 25, 1970, the FCC adopted its *First Report and Order* in Docket No. 18110, 22 F.C.C.2d 306 (1970) (A. 33), which amended the multiple ownership rules along the lines of its earlier proposal; that is, new licenses would only be granted to applicants who did not already have a license for a broadcast facility in the same market. Existing combinations, however, were grandfathered. 22 F.C.C.2d at 309 (A. 39-40).

On the same date, the FCC adopted a *Further Notice of Proposed Rulemaking* in Docket No. 18110, 22 F.C.C.2d 339 (1970) (A. 101), which expanded its inquiry, as the Antitrust Division had requested, to consider newspaper-broadcast cross-ownership. The *Further Notice* solicited comments on a proposed rule which would limit the ownership interests of a single person or entity in any market to one or more daily newspapers, one television station, or one AM-FM radio combination. 22 F.C.C.2d at 346 (A. 115-116). The effect of the proposed rule would have been to prohibit all new licensing of local broadcast stations to daily newspaper publishers and to require divestiture of all existing combinations. The FCC recognized that "many will challenge our authority to adopt the rules proposed," and called for comments on the question of its jurisdiction. 22 F.C.C.2d at 349 (A. 121). Moreover, although the FCC's proposal was premised on a purpose of "promoting competition among the

mass media" and "maximizing diversification of service sources and viewpoints," 22 F.C.C.2d at 346 (A. 115), the agency did not, at this stage, set forth any findings, or even tentative conclusions, on whether adequate diversity is available or on the question of economic concentration. *See Memorandum Opinion and Order (Docket No. 18110)*, 45 F.C.C.2d 768 (1975) (A. 127-133).

Although uncertain of the benefits the proposed rules might bring, the FCC tentatively predicted that divestiture may not be "too disruptive." 22 F.C.C.2d at 348 (A. 119). For example, although the agency was concerned by the predictions of a study which concluded that a license forfeiture policy would have a serious adverse economic impact on individual licensees and investors and would concentrate the broadcast industry in the hands of larger diversified companies,[1] the agency "supposed" that a proposal involving divestiture over a five-year period, rather than outright forfeiture, would lessen some of the predicted impact. 22 F.C.C.2d at 347-48 (A. 117-119). Even so, the FCC indicated that it had "substantial concern" that there might be a degradation of "the service to be rendered by the individual units after divestiture." 22 F.C.C.2d at 348 (A. 119).

Nearly 200 parties, representing a broad spectrum of interests including combination owners, other broadcasters, and "public interest" groups, filed comments, studies, and replies with the FCC during 1970 and 1971. In 1974, the FCC called for additional informa-

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[1] M. H. Seiden & Associates, An Economic Analysis of the Impact of License Forfeiture on the Television and Radio Broadcasting Industry, summarized in 22 F.C.C.2d at 341-42 (A. 105-108).

tion. *Memorandum Opinion and Order (Docket No. 18110)*, 45 F.C.C.2d 768 (1975) (A. 127). In response, nearly 50 parties, again representing a broad spectrum of interests, filed supplementary comments and studies. In July, 1974, the agency held oral argument for two and one-half days.

3. *The FCC's Second Report and Order in Docket No. 18110*

On January 28, 1975, the Commission adopted its Second Report and Order in Docket No. 18110, *In the Matter of Amendment of Sections 73.34, 73.240, and 73.636 of the Commission's Rules Relating to Multiple Ownership of Standard, FM, and Television Broadcast Stations*, 50 F.C.C.2d 1046 (1975) (A. 134) (hereinafter cited as SR&O). In the *Second Report and Order*, for the first time, the FCC asserted the claim that it has authority to adopt general rules which discriminate against newspaper publishers in the granting of licenses for broadcast stations in the same communities where their newspapers are published. The FCC acknowledged that "there is no basis in fact or law for finding newspaper owners unqualified as a group for future broadcast ownership." SR&O ¶ 102, 50 F.C.C.2d at 1075 (A. 190). The agency summarily rejected, however, ANPA's "major legal arguments" that the FCC has no authority under the Constitution or under the Communications Act to promulgate rules discriminating against newspaper owners in the licensing of local broadcast stations. SR&O ¶¶ 15-23, 50 F.C.C.2d at 1050-52 (A. 142-145).

Assuming that it had the authority to do so, then, the agency adopted rules which forbid granting a standard (*i.e.*, AM), FM, or television broadcast license to

any party who "directly or indirectly owns, operates, or controls . . . a daily newspaper" in the same community.[2] 47 C.F.R. §§ 73.35(a), 73.240(a)(1), 73.636(a)(1) (A. 243, 249-250, 256-257). These rules apply to all licensing, including applications for new stations and sales or transfers of existing stations (other than pro forma transfers in the event of reorganization or inheritance). SR&O ¶¶ 100-07, 50 F.C.C.2d at 1074-78 (A. 188-196). Since these rules do not affect existing ownership, they are hereafter referred to as the "prospective" rules.

Upon its review of the evidence before it, the FCC made numerous empirical findings with respect to cross-ownership, including: that there is substantial and increasing diversity in the mass media in most communities (SR&O ¶¶ 47-50, 98, 50 F.C.C.2d at 1060-61, 1073 (A. 161-163, 186)); that, in general, there is significant diversity between affiliated broadcast stations and newspapers (SR&O ¶¶ 131-32, 50 F.C.C.2d at 1089-90 (A. 218-220)); and that newspaper-affiliated broadcast stations tend to be superior licensees (SR&O ¶ 109 & n.26, App. C, 50 F.C.C.2d at 1078 & n.26,

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[2] Specifically, the Commission prohibited granting AM radio licenses where "the grant of such license will result in the predicted or measured 2 mV/m contour, computed in accordance with Section 73.183 or Section 73.186 [of the Commission's Rules], encompassing the entire community in which such newspaper is published." Section 73.35(a) (A. 243). For FM stations, the test is the predicted 1 mV/m contour, Section 73.240(a)(1) (A. 249-250), and for television, the test is the Grade A contour, Section 73.636(a)(1) (A. 256-257). The Grade A contour is, roughly speaking, the area within which 70% of the homes receive good reception 90% of the time. *See* Clarksburg Publishing Co. v. FCC, 225 F.2d 511, 516 n.12 (D.C. Cir. 1955). College and foreign language newspapers were exempted from this rule. SR&O ¶ 101, 50 F.C.C.2d at 1075 (A. 190).

1094-98 (A. 196-198, 228-242)). Despite these findings, the Commission concluded that a prospective ban on newspaper-broadcasting cross-ownership was appropriate. The sole basis given for the prospective rules was the FCC's statement that "[w]e think that any new licensing should be expected to add to local diversity." SR&O ¶ 101, 50 F.C.C.2d at 1075 (A. 190).

With regard to existing combinations, the Commission determined not to disrupt long-established ownership patterns which have consistently and for many years been found to serve the public interest. *See* SR&O ¶ 109, 50 F.C.C.2d at 1078 (A. 196). The Commission recognized that in these cases "divestiture is a harsh remedy, one to be reserved only where the need is overwhelming and the evidence unambiguous . . . ." SR&O ¶ 114, 50 F.C.C.2d at 1083 (A. 207). Therefore, the FCC found that it would be in the public interest to "grandfather" existing combinations except those in certain communities where only one daily newspaper is published and the community is not encompassed by the "city grade signal"[a] of another television (or radio) station not affiliated with the newspaper. SR&O ¶ 114, 50 F.C.C.2d at 1081-83 (A. 202-207). Under this standard, the FCC ordered the divestiture, within five years, of 16 small market newspaper broadcast combinations. SR&O ¶¶ 113-117, 50 F.C.C.2d at 1081-84 (A. 202-208). The FCC's treatment of ex-

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[a] "City grade signal" is a theoretical technical concept describing the predicted field intensity of the broadcast signal. For AM and FM, the minimum city grade signal levels are 5 mV/m and 3.16 mV/m, respectively. SR&O ¶ 114 n.34, 50 F.C.C.2d at 1082 n.34 (A. 205). For television, the levels are: channels 2-6, 74 dBu; channels 7-13, 77 dBu; channels 14-83, 80 dBu. 47 C.F.R. § 73.685 (a) (1976).

isting combinations, including both the grandfathering of most existing licensees and the forced divestiture of a few, is hereafter referred to as its "retrospective" action.

ANPA sought reconsideration of the *Second Report and Order*, and reasserted its arguments that the agency is without authority to adopt either the prospective rules or the retrospective divestiture rules. The agency denied reconsideration. *Memorandum Opinion and Order*, 53 F.C.C.2d 589 (1975) (A. 317). Thereafter, ANPA sought review in the United States Court of Appeals for the District of Columbia Circuit pursuant to Section 402(a) of the Communications Act of 1934, 47 U.S.C. § 402(a). *American Newspaper Publishers Association v. Federal Communications Commission and United States of America, No. 75-1567.* ANPA's appeal was consolidated with appeals by other parties, including some who supported ANPA's position that the FCC had neither a legal nor factual basis for adopting any anti-newspaper rules and others who argued that the FCC had not gone far enough but should have retrospectively ordered the divestiture of all existing combinations.

4. *The Decision of the Court of Appeals*

On March 1, 1977, the court of appeals affirmed the Commission's prospective ban on newspaper-broadcast combinations, but vacated its restrospective actions and remanded the case to the agency for adoption of a new rule embodying a presumption requiring divestiture "except in those cases where the evidence clearly discloses that cross-ownership is in the public interest."

National Citizens Committee for Broadcasting v. FCC, 555 F.2d 938, 966 (D.C. Cir. 1977) (A. 339, 428).

The court rejected ANPA's argument that the prospective ban unconstitutionally burdens the First Amendment right to publish a newspaper and that it violates the right of a newspaper publisher under the equal protection guarantee of the Fifth Amendment to be treated in the same manner in radio licensing as other businessmen. 555 F.2d at 953 (A. 381). In the court's view, the FCC's ban on the licensing of radio stations to newspaper publishers does not trench on constitutionally protected interests, but only "indirectly affect[s] the economics of publication." 555 F.2d at 954 (A. 387).

Having seen no constitutional impediments, the court went on to conclude that this Court's decision in *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956), which upheld certain FCC rules limiting the number of broadcast stations a party could control, established the agency's statutory authority to impose a prospective ban on control of broadcast stations by newspaper publishers. 555 F.2d at 951-52 (A. 374-378).

Finally, the court found that the prospective ban had a rational basis, even though "there is no guarantee that the prospective ban will increase diversity in all cases," because "the licensing of an independent, rather than an affiliated station, offers greater hope of providing the community a new voice." 555 F.2d at 950 (A. 370).

The court's deference to the FCC's judgment on the merits of the prospective ban contrasts sharply with its treatment of the FCC's retrospective actions. Preliminarily, the court stated that the FCC may adopt

a rule that orders divestiture without individual evidentiary hearings in each case, although it declined to determine whether the divestiture ordered by the FCC in the case of certain small market combinations could have been implemented without individualized hearings. 555 F.2d at 956 (A. 392).

The court then considered the validity of the agency's retrospective actions by first reviewing the record. In the court's view, the evidence before the agency did not compel the actions urged by either the pro-divestiture or anti-divestiture interests. 555 F.2d at 957, 962 (A. 395, 413). Consequently, the court characterized the FCC's retrospective actions as relying "primarily on policy, not [on] factual considerations." 555 F.2d at 957 (A. 395). The court then rejected the FCC's policy determination that the "harsh remedy" of divestiture should not be ordered except in "egregious cases." *See* SR&O ¶¶ 112, 114, 50 F.C.C.2d at 1080-83 (A. 200-207). The FCC had found that preserving local ownership, avoiding disruption of long-established service in the public interest, and local economic dislocations outweighed, in most cases, any "hoped for gain in diversity" to be achieved by divestiture. SR&O ¶¶ 108-09, 50 F.C.C.2d at 1078 (A. 196). The court of appeals, however, disagreed with the FCC's balancing of these various factors and held that "the Commission could not have rationally concluded that the competing policies it offered justified grandfathering absent a show of harm." 555 F.2d at 965 (A. 424). Also, the court of appeals found that the FCC had not supported its conclusion that a different result of the balancing of these various policies should occur in the 16 small markets where divestiture was ordered. The court's view that even the "speculative" gains in

diversity from divestiture outweigh "lesser policies" led it to the conclusion that a presumption in favor of divestiture should be embodied in new rules to be adopted by the FCC on remand.

ANPA and other parties then petitioned this Court for review.

SUMMARY OF ARGUMENT

1. The prospective rules promulgated by the FCC and the retrospective divestiture required by the court of appeals seriously impair the constitutionally protected right to publish a newspaper. A daily newspaper publisher who is not now engaged in broadcasting would be required to suspend publication of his paper —or to sell it—as the price of entry into the local broadcasting field. A publisher who currently holds a broadcast license in the community in which his paper is published must abandon or sell his newspaper in order to retain his broadcast license. Moreover, these rules will prevent broadcasters—often the only persons in a community who can combine journalistic expertise with adequate capital—from starting a new daily newspaper or acquiring an existing paper which otherwise might cease publication.[4]

Thus, the practical consequences of the rules against local cross-ownership for newspaper publishers are

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[4] Divestiture could have a serious and counterproductive impact on diversity. This is the lesson of the forced separation of the Boston *Herald Traveler* from its broadcast properties in the FCC's celebrated *WHDH* case. WHDH, Inc., 16 F.C.C.2d 1 (1969), *aff'd*, Greater Boston Television Corp. v. FCC, 444 F.2d 841 (D.C. Cir. 1970), *cert. denied*, 403 U.S. 923 (1971). Only three months after WHDH went off the air, the *Herald Traveler* ceased publication after 125 years, eliminating one of Boston's three daily newspapers without any increase in the number of electronic media outlets.

real and serious. The inhibition on publishing worked by these rules rises to constitutional dimensions because the rules preclude publishers of daily newspapers as a class from holding licenses for co-located broadcast stations upon the same terms and conditions which apply to any other person engaged in any other lawful business.[5] Because these laws attach a condition to the right to disseminate information by publishing a newspaper, they contravene the First Amendment; because they discriminate against one class of citizens on the basis of their exercise of a protected civil right without a demonstrated compelling governmental interest, they violate the equal protection guarantees inherent in the Fifth Amendment.

Both the FCC and the court of appeals failed to give adequate consideration to the fundamental constitutional questions posed by these rules. The determination of the lower court that such regulations may, indeed must, be enacted finds no precedent in the decisions of this or any other court, and is based upon a misconstruction of the decisions of this Court delineating the proper relationship of broadcasting to the First Amendment.

2. The constitutional impediments to adoption by the FCC of a blanket rule prohibiting newspaper-broadcast cross-ownership have long been recognized and are at the root of often repeated Congressional views that the FCC has no authority to adopt such rules. And, as the court below conceded, "no provision of the Communications Act expressly grants the Commission authority to restrict newspaper ownership of

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[5] The only other classes of persons absolutely disqualified from obtaining such a license are aliens and felons.

broadcast stations." 555 F.2d at 951 (A. 374). Nor is such authority necessarily or readily inferable from the more general grants of authority in the Communications Act or this Court's decision in *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956). To the contrary, the entire scheme of the Communications Act recognizes the basic right of all law-abiding citizens to hold broadcast licenses. Given the ambiguity of the statute itself, the court below should have closely examined the construction given the statute over the years by the FCC, the Congress, and the courts. This examination would have revealed a consistent, longstanding construction that the FCC lacks the authority under the Communications Act to adopt rules such as those here at issue.

3. The prospective rules are also contrary to the requirements of the Communications Act that the FCC consider all factors bearing on the public interest in awarding licenses. Prior to this case, the FCC had long adhered to a policy that diversification of control is only one of the many considerations which must be evaluated in licensing broadcast stations to newspaper owners. In the proceeding below, the FCC reversed this policy without adequate explanation and without making any findings which provide factual support for its sudden change.

4. The aspect of the court of appeals' decision having the most immediate and widespread impact is its order "that divestiture [of all existing local newspaper-broadcast combinations] is required except in those cases where the evidence clearly discloses that cross-ownership is in the public interest." 555 F.2d at 966 (A. 428). To arrive at this far-reaching conclusion, the court of appeals substituted its own

judgment for that of the FCC on the relevance and significance of the numerous factors which must be taken into account by the FCC in its broadcast licensing decisions and seriously distorted both the content of the record and the FCC's evaluation of it.[6]

Contrary to the somewhat confused picture painted by the court of appeals, the FCC developed a comprehensive record, considered all relevant submissions, and gave a reasoned basis for its final conclusion that most existing combinations should not be divested. There was, then, no legitimate basis for the court of appeals to reverse these conclusions, and its action was apparently dictated by the court's own policy preferences rather than by law.

Moreover, the lower court did not stop with identifying its legal objections to the FCC's order, but went on to prescribe the rule—a presumption of complete divestiture of all combinations—that the FCC must

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[6] In one respect, the court of appeals' reversal of the FCC's divestiture policy was correct, insofar as it vacated "such portions of the *Order* that have retroactive effect," 555 F.2d at 966 (A. 428), namely, the forced divestiture of 16 small-market combinations. ANPA argued in the court of appeals that, in addition to constitutional and statutory impediments, the FCC's decision was legally deficient as contrary to the agency's policy of reasonably assuring renewal for superior service. *See* Citizens Communications Center v. FCC, 447 F.2d 1201, 1213 n.35 (D.C. Cir. 1971). Moreover, such divestiture by rule ignores essential factual questions which must be explored in an evidentiary hearing. *See* Independent Bankers Ass'n of Ga. v. Board of Governors of the Federal Reserve Sys., 516 F.2d 1206, 1216 (D.C. Cir. 1975). In view of the action by the court of appeals, ANPA does not specifically renew these arguments in this Court. Indeed, to the extent that the court of appeals found the divestiture of these combinations was not supported by the record, ANPA agrees. *See* 555 F.2d at 966 (A. 428).

adopt on remand. The court thereby arrogated to itself legislative power reserved by Congress for the administrative agency. Directly controlling precedents of this Court require reversal. *E.g., FPC v. Idaho Power Co.*, 344 U.S. 17 (1952).

* * *

In sum, there is no justification under the Constitution or the Communications Act or in the record below for either the FCC's anti-newspaper rules or the even broader divestiture ordered by the court of appeals. Moreover, even without reaching the question of the FCC's authority, neither legal requirements nor the factual record require divestiture by rule of any existing combination and, to the extent the FCC took into account such factors as the quality of service to the public and the equities against disrupting long-established operations on theoretical policy grounds in refusing to divest most existing combinations, its actions were both within its discretion and rational.

ARGUMENT

I. THE PRECLUSION OF PUBLISHERS OF DAILY NEWSPAPERS FROM HOLDING LICENSES FOR CO-LOCATED BROADCAST STATIONS IS UNCONSTITUTIONAL

A. Regulations Conditioning the Right To Publish a Daily Newspaper on Forbearance from Engaging in Broadcasting Are Contrary to the First Amendment

The First Amendment guarantees every American the right to communicate ideas and information through the publication of a newspaper, pamphlet, or other printed matter. Its protection goes well beyond merely prohibiting censorship in guaranteeing our "profound national commitment to the principle that debate on public issues be uninhibited, robust, and

wide-open." *New York Times Co. v. Sullivan,* 376 U.S. 254, 270 (1964). As this Court recently stated in *Miami Herald Publishing Co. v. Tornillo,* 418 U.S. 241, 256 (1974):

> "Governmental restraint on publishing need not fall into familiar or traditional patterns to be subject to constitutional limitations on governmental powers."

Thus, although the inhibiting effect of these rules on the right to publish a newspaper may take a novel form, they are still subject to the limitations of the First Amendment and must be critically examined in light of its guarantees. The prior decisions of this Court provide a general framework within which the FCC's rules and the action of the court of appeals may be analyzed.

This Court has frequently invalidated governmental actions that curtail expression by favoring certain classes of speakers over others. *See Madison Joint School District No. 8 v. Wisconsin Employment Relations Commission,* 429 U.S. 167, 175-76 (1976); *Chicago Police Department v. Mosley,* 408 U.S. 92, 97-98 (1972);[7] *Niemotko v. Maryland,* 340 U.S. 268 (1951). The imposition of discriminatory burdens on the publishing of a daily newspaper has been specifically condemned by this Court. In *Grosjean v. American Press Co.,* 297 U.S. 233 (1936), the Court held unconstitu-

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[7] In *Mosley,* 408 U.S. at 100-01, the Court rejected the argument of the City of Chicago that, although it permitted peaceful labor picketing, it could prohibit all non-labor picketing because, as a class, non-labor picketing is more prone to produce violence than labor picketing. The Court stated that such judgments are appropriately made on an individualized basis. *Id.* at 101.

tional a state tax on gross receipts from advertising imposed only on newspapers with weekly circulations over 20,000. The Court concluded that "by the First Amendment it was meant to preclude the national government . . . from adopting any form of previous restraint upon printed publications, or their circulation. . . ." 297 U.S. at 249.

The tax in question in *Grosjean* was constitutionally offensive because it was "a deliberate and calculated device . . . to limit the circulation of information to which the public is entitled. . . ." *Id.* at 250. Thus, this Court recognized in *Grosjean* both that a right to publish is the necessary mechanism for ensuring the public's right to receive information and that economic sanctions on individual publishers can interfere with this right as much as censorship. Of course, neither *Grosjean* nor any other First Amendment decision of this Court grants newspaper publishers "special immunity from the application of general laws." *Associated Press v. NLRB,* 301 U.S. 103, 132 (1937). What *Grosjean* does forbid is the enactment of discriminatory legislation abridging the right to engage in newspaper publication. *See also Citizen Publishing Co. v. United States,* 394 U.S. 131, 139 (1969); *Associated Press v. United States,* 326 U.S. 1, 20 (1945). *Cf. Near v. Minnesota ex rel. Olson,* 283 U.S. 697, 720 (1931). This Court has explained the evil which was condemned in *Grosjean* as the "singling out of the press for treatment different from that accorded other business in general." *Oklahoma Press Publishing Co. v. Walling,* 327 U.S. 186, 194 (1946).

The treatment of newspapers by the FCC and court of appeals involves just such a "singling out of the press." An existing daily newspaper publisher who is

not now in the broadcasting business is precluded—unless he ceases publishing—from being licensed to own a broadcast station in the same city even though any other citizen doing business in that city is eligible to apply for the license and to have the public interest in granting his application evaluated by the FCC. A prospective local newspaper publisher already in the broadcasting business is subject to an even greater sanction: he must give up his right to have the renewal of his valuable broadcasting license considered on the merits—with the reasonable expectation of renewal if he can show that his operation of the station will continue to serve the public interest—as a condition to his entry into the publishing business. Finally, the broad retrospective divestiture ordered by the court below requires that an existing daily newspaper publisher who has a co-located broadcast station must cease publication altogether as the price of retaining his station license. By focusing only on the *public right* to *receive* information, the FCC and the court below have severely inhibited the *private right* to *disseminate* information by publishing a newspaper.

In addition to condemning the selective imposition of economic burdens on those who publish newspapers, this Court has also invalidated legislation on the more general ground that it imposes an unconstitutional burden on the exercise of First Amendment rights by forcing a choice between the exercise of those rights and the receipt of a valuable government privilege. In *Speiser v. Randall,* 357 U.S. 513 (1958), this Court struck down a California statute which provided that veterans would be denied a special property tax exemption unless they signed a loyalty oath. Since speech proscribed by the loyalty oath might be entitled to pro-

tection under the First Amendment, the Court determined that the oath represented an unconstitutional condition to the granting of the property tax exemption. In so holding the Court observed:

> "To deny an exemption to claimants who engage in certain forms of speech is in effect to penalize them for such speech. Its deterrent effect is the same as if the State were to fine them for this speech." 357 U.S. at 518.

The Court rejected California's argument that the denial of a tax exemption does not infringe speech since the exemption (like a broadcast license) is only a government privilege. The Court explained:

> "It has been said that Congress may not by withdrawal of mailing privileges place limitations upon the freedom of speech which if directly attempted would be unconstitutional. *See Hannegan* v. *Esquire, Inc.*, 327 U.S. 146, 156; cf. *Milwaukee Publishing Co.* v. *Burleson*, 255 U.S. 407, 430-31 (Brandeis, J., dissenting). This Court has similarly rejected the contention that speech was not abridged when the sole restraint on its exercise was withdrawal of the opportunity to invoke the facilities of the National Labor Relations Board, *American Communications Assn.* v. *Douds*, 339 U.S. 382, 402, or the opportunity for public employment, *Wieman* v. *Updegraff*, 344 U.S. 183. So here, the denial of a tax exemption for engaging in certain speech necessarily will have the effect of coercing the claimants to refrain from the proscribed speech." 357 U.S. at 518-19.

As the above decisions of this Court demonstrate, a grave constitutional question is presented by any governmental action which conditions eligibility for such a valuable privilege as a broadcast license on refraining from exercising a right as fundamental as that of

publishing a newspaper. Because the broadcast spectrum is limited, the Commission must make choices among various means of accommodating the public's interest in freedom of expression. *See Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367, 376 (1969). No decision of this Court, however, supports the assertion, advanced by the Commission and approved by the court of appeals, that the singling out of newspaper owners for subjection to exclusionary regulations, different from those applied to any other broadcast license applicants in a given community, is within the range of the agency's constitutionally permissible choices.

The court below apparently believed that *Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367 (1969), *National Broadcasting Co. v. United States*, 319 U.S. 190 (1943), and *FRC v. Nelson Brothers Bond & Mortgage Co.*, 289 U.S. 266 (1933), are dispositive of the First Amendment objections to the anti-newspaper rules. Those cases, however, establish only that the First Amendment is not offended by the denial of a broadcast license under statutory "public interest" standards. The only "free speech" interest at stake was the right to use broadcast facilities. None of the cases relied on by the court below addressed the right to disseminate information to the public by publishing a newspaper, a cherished First Amendment right distinct from the right of access to the broadcast spectrum, and none support the agency's assertion of authority to exclude an entire class of potential applicants from eligibility for broadcast licenses.

The Court in *Nelson Brothers* merely upheld the power of the FCC's forerunner, the Federal Radio Commission, to allocate frequencies in the limited

broadcast spectrum and to grant or deny individual licenses in accordance with broad public interest considerations.

In *NBC*, the Court sustained the FCC's authority to adopt regulations which provided that licenses would not be granted to broadcasters who engaged in certain "chain broadcasting" practices deemed to be contrary to the public interest. The court cautioned that "Congress did not authorize the Commission to choose among applicants upon the basis of their political, economic or social views, or upon any other capricious basis." 319 U.S. at 226. The cross-ownership restrictions at issue in this proceeding would deny licenses to persons (newspaper publishers) because of who they are, not because of the practices in which they engage. The *NBC* decision certainly provides no support for such a denial.

The *Red Lion* decision concerned the FCC's "fairness doctrine." The Court in that decision confirmed the Commission's power to require a licensee to share his frequency with others. Thus, to the extent the Court addressed the question of by whom the spectrum may be used, it affirmed a right of potential access for all, not a right to exclude some.

The court of appeals also relied heavily on the undisputed assertion that "[f]reedom of the press does not necessarily shield newspaper publishers from regulation that may make publication more difficult," 555 F.2d at 953 (A. 381), citing *Associated Press v. United States*, 326 U.S. 1 (1945), to support the assertion. The *Associated Press* case stands, however, only for the proposition that the First Amendment provides no immunity from laws of general applicability—in

that case, the Sherman Act. The vice of the cross-ownership ban mandated by the lower court is that it is not a law of general applicability; it singles out newspaper publishers for special and discriminatory treatment. The regulations thus go far beyond the point of causing the same incidental difficulty to publishers as to other businesses. Rather, the FCC rules affirmatively burden the right to publish by imposing the requirement of foregoing a right available to citizens engaging in any lawful occupation other than newspaper publishing. They do not merely "make publication more difficult"; they prevent it altogether if the would-be publisher happens to hold a local broadcast license.

The court of appeals went so far as to assert that prospective and retrospective divestiture of newspaper publishing and broadcasting properties serves First Amendment interests rather than conflicting with them. *See* 555 F.2d at 950, 953-54 (A. 374, 381-385). This remarkable interpretation of the First Amendment seems to flow from the court of appeals' view that the primary goal of the First Amendment is to place the government in the role of a "Handicapper General"[8] with a

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[8] A short story by Kurt Vonnegut describes an imaginary United States of 2081 in which equality is forced into reality by means of a least common denominator limit on competence. Each citizen is assigned a "handicap" to compensate for whatever natural gift he may have. Thus, a person with keen eyesight must wear glasses which distort his vision, while a clever thinker wears earphones which broadcast air raid siren noises every thirty seconds to interfere with his cognitive processes. Presiding over the program is "Handicapper General" Diana Moon Glampers, whose mission is to prevent society from slipping "right back to the dark ages again, with everybody competing against everybody else." K. VONNEGUT, JR., *Harrison Bergeron*, in WELCOME TO THE MONKEY HOUSE 7, 9 (1961) (Dell ed. 1970).

duty to equalize public debate, rather than the traditional view that the primary function of the First Amendment is to prohibit any unnecessary governmental interference in the free marketplace of ideas. Nowhere did the court of appeals more baldly state its view than when it notes that "[o]ne way to attempt to equalize debate is by boosting the power of the weaker voice; another way is by reducing the power of the dominant one." 555 F.2d at 950 n.32 (A. 372).

Only a warped interpretation of the First Amendment—one which finds it permissible for the government to suspend or weaken the power of a party to speak—could justify the course, taken by the agency and the court below, which prevents newspaper publishers from speaking through the broadcast medium and prohibits broadcasters from exercising their right to publish a newspaper. This Court has made it clear, however, that diversity arguments of this sort cannot be supported by the First Amendment. On the contrary, the concept "that government may restrict the speech of some elements of our society in order to enhance the relative voice of others" has been condemned as "wholly foreign to the First Amendment." *Buckley v. Valeo,* 424 U.S. 1, 48-49 (1976). Indeed, this Court on several occasions has held that the First Amendment is not to be used as a sword to require a particular form of government regulation to promote diversity of ideas. *See Miami Herald Publishing Co. v. Tornillo,* 418 U.S. 241 (1974); *Columbia Broadcasting System, Inc. v. Democratic National Committee,* 412 U.S. 94 (1973).

In the *Tornillo* decision, the Court struck down as unconstitutional Florida's "right to reply" statute that granted a political candidate a right to equal space to

answer criticism and attacks on his record by a newspaper. The Court found the statute to represent an impermissible intrusion into the function of editors in choosing what material goes into a newspaper. Justice White noted in his concurrence that

> "the balance struck by the First Amendment with respect to the press is that society must take the risk that occasionally debate on vital matters will not be comprehensive and that all viewpoints may not be expressed." *Miami Herald Publishing Co. v. Tornillo,* 418 U.S. at 260 (White, J., concurring).[9]

In sum, broadcast licensing rules which discriminate against newspaper publishers unconstitutionally burden the right to publish a newspaper. The fact that this burden assumes the form of denial of licenses for colocated broadcast stations rather than a fine, injunction, or tax is irrelevant, for "[i]t is too late in the day to doubt that the liberties of religion and expression may be infringed by the denial of or placing of conditions upon a benefit or privilege." *Sherbert v. Verner,* 374 U.S. 398, 404 (1963). Indeed, the rules at issue here, requiring an "either/or" choice between broadcasting and publishing a newspaper, may well present an even more severe sanction against the exercise of the First Amendment right to publish a newspaper than the "right of access" law which was struck down in *Tornillo.*

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[9] In *CBS,* this Court determined that the "public interest" standard of the Communications Act, which incorporates First Amendment principles, does not require broadcasters to accept editorial advertisements. The Court warned that such a requirement would entail "the risk of an enlargement of Government control over the content of broadcast discussion of public issues." 412 U.S. at 126.

B. Discrimination in Broadcast Licensing Against Those Who Exercise Their Basic Civil Right To Publish a Newspaper Also Violates the Equal Protection Guarantee of the Fifth Amendment

The discrimination against newspaper publishing which is offensive to the First Amendment likewise raises serious questions under the equal protection guarantee implicitly found in the Fifth Amendment by *Bolling v. Sharpe*, 347 U.S. 497 (1954).[10] The right to equal protection assures that the government cannot "legislate that different treatment be accorded to persons placed by a statute into different classes on the basis of criteria wholly unrelated to the objective of that statute. A classification 'must be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced shall be treated alike.' *Royster Guano Co.* v. *Virginia*, 253 U.S. 412, 415 (1920)." *Reed v. Reed*, 404 U.S. 71, 75-76 (1971). A denial of equal protection is subject to "strict scrutiny" where the classification involved affects "basic civil rights." *Skinner v. Oklahoma ex rel. Williamson*, 316 U.S. 535, 541 (1942). Among those rights is the right to publish a newspaper. *Gitlow v. New York*, 268 U.S. 652 (1925).

The court of appeals asserted that "strict scrutiny is not required because the ban does not trench upon protected First Amendment interests." 555 F.2d at

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[10] While equal protection law has been most developed under the Fourteenth Amendment, it is well settled that an equal protection requirement is incorporated into the due process clause of the Fifth Amendment, and thus applies to actions of the federal government. *See* Johnson v. Robison, 415 U.S. 361, 364-65 n.4 (1974).

953 n.44 (A. 381)." The lower court, however, failed to recognize that this Court has required strict scrutiny whenever a classification is even "closely intertwined" with First Amendment rights. *Chicago Police Department v. Mosley*, 408 U.S. 92, 95 (1972). *See also NAACP v. Button*, 371 U.S. 415, 438 (1963); *Community-Service Broadcasting of Mid-America, Inc v. FCC*, 41 Rad. Reg. 2d (P&F) 731 (D.C. Cir. Sept. 15, 1977); *Mancuso v. Taft*, 476 F.2d 187, 192-96 (1st Cir. 1973).

Under this standard, "the crucial question is whether there is an appropriate governmental interest suitably furthered by the differential treatment." *Chicago Police Department v. Mosley, supra*, 408 U.S. at 95." The rules in question fail this criterion. In the first place, even though the government has an interest in diversity of ownership of electronic communications, it has no legitimate interest in suppressing broadcast speech by newspaper publishers who can meet the

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[11] The court of appeals dismissed ANPA's equal protection argument in a footnote (555 F.2d at 953, n.44) (A. 381), relying primarily on this Court's decision in City of New Orleans v. Dukes, 427 U.S. 297 (1976), which, however, merely holds that the federal judiciary will not attempt to second-guess state economic regulations embodying classifications. Here, both the FCC and the court of appeals expressly rely to a substantial, if not exclusive, degree on First Amendment considerations rather than on economic considerations in justification of the proposed ban on newspaper-broadcast cross-ownership.

[12] *See also* United States v. O'Brien, 391 U.S. 367, 377 (1968), in which this Court stated that a regulation that incidentally tends to curtail free expression is valid only "if it furthers an important or substantial governmental interest; if the governmental interest is unrelated to the suppression of free expression; and if the incidental restriction on alleged First Amendment freedoms is no greater than is essential to the furtherance of that interest."

Communications Act public interest standards for providing good service. Nor does the government have an interest in preventing broadcasters from engaging in newspaper publishing. Second, the record below does not establish that the draconian remedy of complete separation of local publishing and broadcasting mandated by the FCC and approved by the court of appeals is a suitable or necessary method to further any interest the government may have. The FCC has ample authority to supervise newspaper-affiliated broadcast stations to ensure their operations in the public interest and for decades has done so. In view of that authority and of the enforcement mechanisms available to the Commission, the wholesale classification of local newspaper publishers as ineligible to hold broadcast licenses is a far greater restriction than is necessary to further the governmental or public interest at stake.

II. CONGRESS HAS NOT DELEGATED AUTHORITY TO THE FCC TO ADOPT RULES BARRING DAILY NEWSPAPERS FROM AFFILIATION WITH LOCAL BROADCAST STATIONS

A. The Statutory Provisions Relied on by the FCC and the Court Below and This Court's Decision in *Storer Broadcasting* Do Not Resolve the Question of Whether the FCC Is Empowered To Adopt Anti-Newspaper Regulations

In the allocation of available facilities for radio and television broadcasting, the FCC is required to grant a license to "any applicant" when it finds that the "public convenience, interest, or necessity will be served thereby." 47 U.S.C. § 307(a). In cases where a number of applicants seek mutually exclusive broadcast licenses, the FCC must consider all applicants, on a basis of initial equality, in a comparative hearing. *Ashbacker Radio Corp. v. FCC*, 326 U.S. 327 (1945).

The only class of persons categorically excluded by the Act from eligibility for broadcast licenses is that of aliens and foreign-controlled corporations. 47 U.S.C. § 310(a). In addition to citizenship, the Act specifically authorizes the Commission to consider the character, financial, and technical qualifications of applicants. 47 U.S.C. § 308(b). Also, the Commission is directed to refuse a license to anyone whose license previously has been revoked by a court as a sanction for violation of the antitrust laws applicable to the field of communications. 47 U.S.C. § 313. Finally, because of the limited number of broadcast stations technically possible, the FCC has authority to restrict the total number of stations which may be owned by one entity. *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956).

The Act nowhere empowers the FCC to classify citizens, on an *a priori* basis, into groups eligible and not eligible to hold broadcast licenses. On the contrary, the scheme established by Congress envisions individualized consideration of applicants, by means of a hearing if necessary, to resolve any substantial and material questions of fact or to make the requisite "public interest, convenience, and necessity" finding. 47 U.S.C. § 309(a) and (e).

Even though authority to bar daily newspaper publishers from holding local broadcast licenses can be found neither in the specific provisions of the Communications Act nor in the overall statutory scheme, the court below inferred such authority from the language of 47 U.S.C. §§ 309(a), 303(r) and 154(i) (noting that the Commission had also cited 47 U.S.C. §§ 152(a) and 154(j)) and from this Court's decision in *United States v. Storer Broadcasting Co.*, 351 U.S.

192 (1956). 555 F.2d at 951 (A. 374). Yet these statutory provisions and *Storer*, whether taken singly or together, do not resolve the question of the FCC's authority to adopt anti-newspaper regulations.

The court below first cited the requirement of 47 U.S.C. § 309(a) that the Commission find that the "public interest, convenience and necessity will be served" by the grant of a license. Section 309(a) is, at most, however, authority only for the proposition that the FCC must consider the public interest standard "in the case of each application" filed with it. ANPA does not challenge the well-established authority of the FCC, under Section 309, to consider diversity as one of the "many factors" bearing on the public interest affecting broadcast licenses. *See, e.g., Scripps-Howard Radio, Inc. v. FCC*, 189 F.2d 677 (D.C. Cir.), *cert. denied*, 342 U.S. 830 (1951). But the requirement of Section 309 that the agency consider "each application," and, if necessary, hold hearings to determine the public interest, by no means supports an inference that Congress intended to empower the FCC to adopt a blanket prohibition barring the grant of a broadcast license to any publisher of a co-located daily newspaper.

Section 4(i) of the statute, 47 U.S.C. § 154(i), also relied upon by the court below, is not a delegation of substantive authority at all, but merely authorizes the agency to make such rules, "not inconsistent with this Act, as may be necessary in the execution of its functions." Whether a given rule satisfies these requirements obviously depends upon whether it is reasonably in aid of the FCC's powers as spelled out by Congress elsewhere in the Act. Similarly, Section 303(r) is not a delegation of substantive authority, but merely empowers the FCC to make such rules "not inconsistent

with law, as may be necessary to carry out the provisions" of the Communications Act.

Section 4(j), 47 U.S.C. § 154(j), cited by the Commission, provides that the FCC "may conduct its proceedings in such manner as will best conduce to the proper dispatch of business and to the ends of justice." Regardless of the importance of this provision in permitting the FCC to employ procedural flexibility in carrying out its functions, it does not expand the agency's authority to propound substantive legislative rules of the kind here adopted.

Section 2(a), 47 U.S.C. § 152(a), also cited by the Commission, merely states that the Communications Act applies to "all interstate and foreign communication by wire or radio." In no way can this general provision be construed to permit the agency to adopt rules making a class of citizens ineligible to be licensees merely because they are engaged in another lawful business, *e.g.*, newspaper publishing.[13]

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[13] That the FCC's authority under § 2(a) is not without limits was stressed in two recent decisions of the Court relating to the Commission's assertion of authority over CATV systems. In United States v. Southwestern Cable Co., 392 U.S. 157 (1968), the Court agreed with the FCC that § 2(a) gave it authority to regulate CATV as a form of "communication by wire or radio." Four years later, Chief Justice Burger, commenting in a concurring opinion on the Court's 5-4 decision upholding the FCC's requirement that CATV systems originate programming, stated:

> "Candor requires acknowledgment, for me at least, that the Commission's position strains the outer limits of even the open-ended and pervasive jurisdiction that has evolved by decisions of the Commission and the courts. The almost explosive development of CATV suggests the need of a comprehensive re-examination of the statutory scheme as it relates to this new development, *so that the basic policies are considered by Congress and not left entirely to the Commission and the courts.*" United States v. Midwest Video Corp., 406 U.S. 649, 676 (1972) (emphasis added).

Just as these statutory provisions are not dispositive on the question of whether the FCC has the authority to adopt anti-newspaper regulations, neither is *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956). The contention of the court below that "[i]t requires no extension of *Storer* to conclude the Commission possessed statutory authority to impose the prospective ban"[14] is unsupportable. *Storer* merely acknowledged the FCC's authority to allocate scarce spectrum by regulating the total number of broadcast stations which could be licensed to one entity. While it recognized the power of the FCC to pursue the policy of diversification of ownership by adopting rules prohibiting certain broadcasters from obtaining additional licenses, *Storer* did not reach the different question of whether the Communications Act authorizes the FCC to make rules that prohibit the licensing of all members of some other group, such as local newspaper publishers, who are not broadcasters.[15]

Thus, neither *Storer* nor the provisions of the Communications Act relied on by the court below can resolve the question of whether the FCC has the authority to adopt the anti-newspaper rules here at issue. Because of this ambiguity, and because of this Court's repeated admonition that "a statute should be interpreted, if fairly possible, in such a way as to free it

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[14] 555 F.2d at 951 (A. 374) (footnote omitted).

[15] The Court in *Storer* expressly recognized the limited scope of the rules there at issue. In discussing whether respondent Storer had standing to challenge the FCC rules, the Court stated: "The regulations here under consideration presently aggrieve the respondent. *The Commission exercised a power of rulemaking which controls broadcasters.*" 351 U.S. at 199 (emphasis added).

from not insubstantial constitutional doubts,"[16] the court below should have examined, and this Court should now examine, the construction given the Act over the years by the FCC, Congress, and the courts.

B. Until the Present Case, the FCC, Congress, and the Courts Have Consistently Interpreted the Communications Act as Giving the FCC No Authority To Discriminate Against Newspaper Owners in Granting or Withholding Broadcast Licenses

Beginning in 1937, only three years after passage of the Communications Act, and continuing until this case, the FCC and Congress have consistently interpreted the Act as not giving the FCC authority to discriminate against newspaper owners in granting or withholding broadcast licenses, and the only court to consider the issue reached the same conclusion. FCC spokesmen in three decades have assured Congress that the Commission lacked the authority to promulgate rules such as those at issue, and Congress has expressly relied on these assurances in declining to spell out more clearly in the Communications Act this lack of authority.

The first assurance given by the Commission to Congress was that of the FCC's first General Counsel, Hampson Gary. Mr. Gary, in January 1937, received an inquiry from Senator Wheeler, Chairman of the Senate Interstate Commerce Committee, as to whether or not the Commission "has the authority, at the present time, to deny an application of a newspaper for radio facilities, on the ground that it is against public

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[16] Lynch v. Overholser, 369 U.S. 705, 711 (1962) (citations omitted). *See, e.g.*, United States v. Thirty-Seven Photographs, 402 U.S. 363, 369 (1971); United States v. Witkovich, 353 U.S. 194, 199 (1957); Crowell v. Benson, 285 U.S. 22, 62 (1932).

policy." Mr. Gary summarized his position in response to the inquiry as follows:

> "In my opinion, therefore, the Commission does not have the authority, under the existing law and in the absence of an expression of public policy on the subject by the Congress, to deny an application to a newspaper owner for radio facilities solely upon the ground that the granting of such an application would be against public policy." [17]

As the first General Counsel of the FCC, Mr. Gary was uniquely aware of Congress' intent and purposes in enacting the Communications Act, and his interpretation is entitled to great weight in determining the agency's authority to enact the rules here in issue.[18]

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[17] Legal Opinion of FCC General Counsel Hampson Gary submitted to the Senate Interstate Commerce Committee, Jan. 25, 1957. (A. 445, 449).

[18] The court below belittled the significance of Mr. Gary's statement on the grounds that he did not consider "whether the Commission may enact license qualifications in the public interest." 555 F.2d at 952 (A. 378). But Mr. Gary was, indeed, responding to an inquiry as to whether the Commission "has the authority" to deny licenses to newspapers on "public policy" grounds. His response, in effect, was that "public interest," not "public policy," was the statutory standard, and that newspaper ownership was "one fact among others to be considered." Had Mr. Gary felt that "license qualifications" could be used to deny licenses to all co-located newspapers, it surely would have been appropriate for him to say so in his discussion of the FCC's "authority".

The fact that Mr. Gary had concluded that the Commission lacked the authority here at issue is further evidenced by his answer to Senator Wheeler's second question, "whether *if the Commission has not such authority at the present time*, legislation could be passed denying the right for all newspapers to acquire radio stations in the future and requiring all newspapers within a reasonable time to divest themselves of the ownership and control of such stations." (Emphasis added.) The fact that Mr. Gary entitled this

This Court summarized the applicable principle in *Norwegian Nitrogen Products Co. v. United States*, 288 U.S. 294, 315 (1933), ruling that a long-standing prior administrative interpretation

> "has peculiar weight when it involves a contemporaneous construction of a statute by the men charged with the responsibility of setting its machinery in motion, of making the parts work efficiently and smoothly while they are yet untried and new."

Accord, FTC v. Mandel Brothers, 359 U.S. 385, 391 (1959); *United States v. American Trucking Associations*, 310 U.S. 534, 549 (1940).[19]

The outcome of the FCC's only investigation of newspaper-broadcast cross-ownership prior to the proceeding below was completely in accord with General Counsel Gary's opinion. In 1941, the FCC commenced an investigation into newspaper ownership of broadcast stations as part of its early efforts to formulate policies for the licensing of FM radio stations. *Order No. 79*, 6

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part of his letter "Whether Legislation Could Be Passed . . ." and omitted the qualifying "if the Commission has not such authority at the present time," is further evidence that Mr. Gary had indeed concluded in his answer to Senator Wheeler's first question that the FCC did lack the authority to deny "the right for all newspapers to acquire radio stations in the future and [require] all newspapers within a reasonable time to divest themselves of the ownership and control of such stations."

[19] Moreover, the weight to be attached to such an interpretation is undiminished by a later attempt by the agency to reverse its long-standing administrative practice. Mazer v. Stein, 347 U.S. 201, 213 (1954); Chemical Bank New York Trust Co. v. Steamship Westhampton, 231 F. Supp. 284 (D. Md. 1964), *aff'd*, 358 F.2d 574 (4th Cir.), *cert. denied*, 385 U.S. 921 (1966).

Fed. Reg. 1580 (1941); *Order No. 79-A*, 6 Fed. Reg. 3302 (1941). Three years later, the agency concluded the investigation and dismissed the proceeding with the following statement in a public notice:

> "The Commission has concluded, in the light of the record in this proceeding and of the grave legal and policy questions involved, not to adopt any general rule with respect to newspaper ownership of radio stations." 9 Fed. Reg. 702 (1944).[20]

Consistent with Mr. Gary's opinion that an "expression of public policy on the subject by the Congress" was a mandatory prerequisite to any rule banning newspaper-broadcast cross-ownership, and after reviewing the FCC's cross-ownership investigation and holding its own hearings, the House Select Committee To Investigate the FCC stated in its Final Report:

> "Manifestly, if at any future time, newspaper owners or persons interested therein as such are to be excluded from ownership of licensed radio stations, such exclusion should be effected pursuant to a clear-cut expression of such a policy by the Congress." H.R. REP. No. 2095, 78th Cong., 2d Sess. 17 (1945).

While the FCC's cross-ownership investigation was pending, the D.C. Circuit had also concluded that the FCC is not empowered to enact a rule barring newspaper ownership of broadcast stations. *Stahlman v. FCC*, 126 F.2d 124, 127 (D.C. Cir. 1942). James G. Stahlman, publisher of the Nashville *Banner*, had de-

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[20] The FCC simultaneously announced:

> "A summary of the evidence in the proceeding is being forwarded to the appropriate committees of the Senate and House of Representatives in order to inform them of the facts developed by the investigation and for any consideration which they may desire to give the matter." 9 Fed. Reg. 702 (1944).

clined to answer an FCC subpoena on the ground that the investigation was beyond the Commission's authority under the Communications Act. The FCC had obtained an order from the district court compelling Mr. Stahlman to testify. On appeal Stahlman contended:

> "[T]he sole question is whether the Commission has the power to consider or to adopt and apply a general policy or rule by which persons engaged in the newspaper publishing business or associated therewith may by reason of that fact alone be differentiated as a class apart from all other persons for the purpose either of preference in the assignment of radio facilities or of disqualification from engaging in the radio broadcasting business." 126 F.2d at 126.

The D.C. Circuit affirmed the district court's order on the limited ground that the subpoena was supported by the FCC's general power to conduct proceedings of an investigative character. At the same time, however, the court emphasized the narrow scope of the FCC's inquiry, stating that the agency is not empowered to enact a rule barring newspaper ownership of broadcast stations. In so doing, the court made the following extensive observations which, until departed from by the court below (555 F.2d at 952 (A. 378)), remained the authoritative judicial statement on the issue:

> "[W]e have previously held that there is nothing in the Act which either prevents or prejudices the right of a newspaper, as such, to apply for and receive a license to operate a radio broadcast station. Tri-State Broadcasting Co. v. Federal Communications Comm., 68 App.D.C. 292, 96 F.2d 564. Further consideration confirms that view.
>
> [The authority to assess the qualifications of applicants for broadcast licenses] does not embrace and should not be extended by implication to embrace

> a ban on newspapers as such, for in that case it would follow that the power to exclude exists also as to schools and churches; and if to these, the interdict might be applied wherever the Commission chose to apply it. This, we think, would be in total contravention of that equality of right and opportunity which Congress has meticulously written into the Act, and likewise in contravention of that vital principle that whatever fetters a free press fetters ourselves. In this view, we need not consider whether the power exists even in Congress, for Congress has not undertaken, and probably never will undertake, to delegate such power to the Commission." 126 F.2d at 127.

During the 1940's and early 1950's, Congress considered amending the Communications Act so as expressly to prohibit the FCC from discriminating against newspapers in the granting of broadcast applications. Congress ultimately chose not to enact such an anti-discrimination provision solely because of FCC assurances that the agency lacked such authority under the 1934 Act, and its own concurrence in that judgment. S. REP. No. 741, 81st Cong., 1st Sess. 2 (1949). *See* CONFERENCE REPORT No. 2426, 82d Cong., 2d Sess. (1952).

The first legislative anti-discrimination proposal was the White-Wheeler Bill, S. 814, 78th Cong., 1st Sess. § 32 (1943), which later became embodied in the White-Wolverton Bill, S. 1333, 80th Cong., 1st Sess. § 25 (1947).[21] After hearings were held, the Interstate and

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[21] The bill proposed a new Section 418 of the Act:

"Discrimination Prohibited

"Sec. 418. The Commission shall make or promulgate no order, rule or regulation of substance or procedure, the purpose or effect of which will or may be to effect a discrimination

Foreign Commerce Committee terminated consideration of the proposal.

A second major provision dealing with newspaper ownership of broadcast stations, Senate Bill 1973, was first introduced by Senator McFarland in 1949 as part of a comprehensive bill designed to rewrite major portions of the Act. Section 14 of S. 1973, intended as an amendment to Section 332 of the Act, provided:

> "Limitation on Rule-Making Powers; Discrimination Prohibited
>
> "Sec. 332. No sanction shall be imposed or substantive rule or order be issued except within jurisdiction delegated to the Commission and as authorized by law. The Commission shall make or promulgate no rule or regulation of substance or procedure, the purpose or result of which is to effect a discrimination between persons based upon race, religious or political affiliation or kind of lawful occupation or business association."

In testimony on this section before a Subcommittee of the Interstate and Foreign Commerce Committee, Acting FCC Chairman Hyde recognized that the principal intent of the section was to outlaw the possibility of any rule excluding newspaper owners from owning radio stations and stated that the FCC had no objection to such a provision. *Hearings on S. 1973 Before a Subcomm. of the Senate Interstate and Foreign Commerce Comm.*, 81st Cong., 1st Sess. 21 (1949). More impor-

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between persons based upon race, or religious or political affiliation, or kind of occupation, or business association, and no rights, privileges, benefits, or licenses authorized by law shall be denied or withheld in whole or in part where adequate right or entitlement thereto is shown."

tantly, Mr. Hyde, in an exchange with Senator Capehart, stated his belief that the FCC did not have the authority to adopt rules which discriminated against someone on the basis of his lawful business:

> "SENATOR CAPEHART. May I ask this question? Is there anything in the law which would prohibit the Commission tomorrow saying, 'We will not issue a license to any person in X business'?
>
> MR. HYDE. There is no provision in the Communications Act that would prohibit such a rule as that. There is the principle, of course, that that would be discriminatory. In all our decisions we must make a finding that our action is in the public interest, and in making that finding, certainly, we will take into consideration such things as the discriminatory effect of any action.
>
> SENATOR CAPEHART. But you could, if you thought it was in the public interest then, simply say, 'We will not issue a radio license to anybody'?
>
> MR. HYDE. In some lawful business?
>
> SENATOR CAPEHART. Yes.
>
> MR. HYDE. I am very doubtful of that, Senator Capehart.
>
> SENATOR CAPEHART. *Well, do you have the right to do it if you want to?*
>
> MR. HYDE. *I could not claim that right; no sir. I believe we do not have it.*"
>
> *Id.* at 103-04 (emphasis added).

Thereafter, the Committee terminated consideration of Section 14. The following excerpts from the Committee Report make clear that this action was taken "solely because" of the FCC's position on the matter.

> "The Committee deems it important to point out why this section was dropped from the bill. This

language was first proposed nearly 6 years ago during hearings on a Communications Act amendments bill, solely because the Federal Communications Commission at that time had under consideration a rule which would prohibit newspapers from becoming holders of radio licenses. While the Commission may have been motivated, in part at least, by the best intentions in seeking to prevent monopolistic control of organs of public expression in a community, *its threatened action was of questionable constitutional validity, particularly in the absence of specific authority in the basic act to adopt such a rule. . . .*

"In testimony on the bill (S. 1973) before this committee, the Commission spokesman pointed out that present Commission practice and procedure has been in accord with the proposed section for several years; that they have serious doubts of the constitutionality of any rule which would prohibit the granting of a license to anyone because of kind of lawful occupation; and *that in any event they could not constitutionally do what the proposed section 14 would have prohibited them from doing.*

"The Committee is impressed by the validity of this testimony. In view of the positive nature of the affirmations by the Commission that its existing procedure is in accord with that which had been intended by the original language, some question was raised as to whether or not the proposed new language might not be construed or interpreted to provide a different or modified procedure from that now being followed. The committee, therefore, decided to eliminate the proposed section. *It should be distinctly understood that in eliminating the section the committee has done so solely because this Commission is now following the procedure which was outlined in the section, has testified that it intends to follow that procedure, and that it is of the opinion that it has no legal or constitutional*

> *authority to follow any other procedure.*" S. REP. No. 741, 81st Cong., 1st Sess. 2 (1949) (emphasis added).

Subsequently, S. 1973 was considered in the House of Representatives, where Section 14 was replaced by a proposed new subsection (d) of Section 308, of the Communications Act, providing as follows:

> "(d) The Commission shall not make or promulgate any rule or regulation, of substance or procedure, the purpose or result of which is to effect a discrimination between persons based upon interest in, association with, or ownership of any medium primarily engaged in the gathering and dissemination of information and no application for a construction permit or station license, or for the renewal, modification, or transfer of such a permit or license, shall be denied by the Commission solely because of any such interest, association, or ownership."

The entire bill, including the so-called "newspaper amendment," was debated extensively and subsequently passed by the House without a record vote.

In conference, the newspaper amendment was deleted from the bill eventually enacted as the 1952 Communications Act Amendments because both the Senate and House conferees unanimously agreed that it was unnecessary under the existing statute. The position of the Senate conferees reiterated the reasons previously given for terminating consideration of Senate Bill 1973. The joint statement of legislative intent issued by the conference committee read as follows:

> "This provision was omitted from the conference substitute because the committee of conference felt

> that it was unnecessary. It is the view of the conference committee that *under the present law the Commission is not authorized to make or promulgate any rule or regulation the effect of which would be to discriminate against any person because such person has an interest in, or association with, a newspaper* or other medium for gathering and disseminating information. Also the Commission could not arbitrarily deny any application solely because of any such interest or association." CONFERENCE REPORT No. 2426, 82d Cong., 2d Sess. 18-19 (1952) (emphasis added).

After 1952, the FCC continued to assure Congress that it had no authority to pass anti-newspaper rules such as those at issue. Chairman McConnaughey, testifying on various bills, including two anti-discrimination bills, before the House Interstate and Foreign Commerce Committee in 1956, stated that the Commission fully agreed with the opinion of the 1952 Conference Committee that an anti-discrimination provision was "unnecessary for the reasons that the Commission did not have the authority to promulgate any rule discriminating against newspapers or to arbitrarily deny an application solely because of such interest." *Hearings on Miscellaneous Bills To Amend the Communications Act of 1934 Before a Subcomm. of the House Interstate and Foreign Commerce Comm.*, 84th Cong., 2d Sess. 83 (1956).[22]

In sum, for a period beginning shortly after passage of the 1934 Act and continuing until the present case,

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[22] Chairman McConnaughey also said the Commission was concerned that the proposed legislation would prohibit consideration of diversity as one of the relevant factors in a comparative licensing proceeding. *Id.* at 84.

the FCC has consistently adhered to the position that it lacks the authority to adopt anti-newspaper regulations such as those here at issue.[23] Congress has repeatedly considered the issue, and has relied on assurances given it by FCC spokesmen in three different decades in asserting that the Commission is not authorized to adopt such regulations. Similarly, the only court to consider the question reached the same conclusion as did the FCC and Congress.

Instead of closely scrutinizing these prior constructions, the court below dismissed this subsequent legislative interpretation in a footnote, labeling it "not useful in determining the meaning of the original legislation when enacted." 555 F.2d at 952, n.41 (A. 378). In so doing, it overlooked this Court's repeated teaching that a contemporaneous and longstanding construction of a statute by administrative officials, followed by a reenactment of or amendment to the Act which does not touch the administrative interpretation in question, is entitled to great weight.[24]

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[23] The only arguable deviation from that position was the institution of the FCC's Newspaper Investigation in 1941 (discussed *supra* at 36-37), which culminated in the FCC's dismissing the proceeding in light of the "grave legal and policy questions involved." 9 Fed. Reg. 702 (1944). Furthermore, the institution of the investigation in 1941 may have been due more to the political climate of the time than to the FCC's view of its authority. *See The Newspaper-Radio Decision*, 7 J. FED. COM. B.A. 11, 12 (Feb. 1944).

[24] *See* Chemehuevi Tribe of Indians v. FPC, 420 U.S. 395, 409-10 (1975); Saxbe v. Bustos, 419 U.S. 65, 74 (1974); NLRB v. Gullett Gin Co., 340 U.S. 361 (1951); 2A [SUTHERLAND] STATUTES AND STATUTORY CONSTRUCTION § 49.09, at 256-57 (4th ed. C. Sands 1973).

Given the fact that the authority to adopt rules barring daily newspapers from affiliation with local broadcast stations is not necessarily or readily inferable from the language of the Communications Act, the consistent, long-standing construction that the FCC lacks such authority should be honored, particularly as this construction frees the Act from "not insubstantial constitutional doubts." *Lynch v. Overholser, supra,* 369 U.S. at 711.

III. THE FCC'S PROSPECTIVE RULES REPRESENT AN UNJUSTIFIED REVERSAL OF ITS PRIOR LICENSING POLICIES WHICH IS NOT FOUNDED ON A REASONED ANALYSIS OF THE RECORD

It is well settled that a reviewing court must set aside agency action which is not the product of "reasoned decisionmaking." *Fidelity Television, Inc. v. FCC,* 515 F.2d 684, 699 (D.C. Cir. 1975); *Greater Boston Television Corp. v. FCC,* 444 F.2d 841 (D.C. Cir. 1970), *cert. denied,* 403 U.S. 923 (1971). The court must "assure itself that the Commission has given reasoned consideration to each of the pertinent factors." *Permian Basin Area Rate Cases,* 390 U.S. 747, 792 (1968). Finally, to enable the court to perform its review function, the "agency or commission must articulate with clarity and precision its findings and the reasons for its decisions." *WAIT Radio v. FCC,* 418 F.2d 1153, 1156 (D.C. Cir. 1969), *cert. denied,* 409 U.S. 1027 (1972).

In promulgating its prospective rules, the FCC reversed its longstanding policy of considering diversification of control of the mass media as merely one factor among many bearing on the public interest in the future licensing of broadcast stations to newspaper publishers. Moreover, the FCC effectuated this change

in course despite its acknowledgment that "there is no basis in fact or law for finding newspaper owners unqualified as a group for future broadcast ownership." SR&O ¶ 102, 50 F.C.C.2d at 1075 (A. 190).

In its *Policy Statement on Comparative Broadcast Hearings,* 1 F.C.C.2d 393, 394 (1965), the Commission identified two primary objectives of its licensing policy: "first, the best practicable service to the public, and, second, a maximum diffusion of control of the media of mass communications."

The FCC's prospective anti-newspaper rules are avowedly confined to the second of these two objectives:

> "It appears that the licensing of a newspaper applicant for a station in the same city as that in which the paper is published is not going to enhance diversity .... We think that any new licensing should be expected to add to local diversity. Accordingly, the rules will bar combinations that would not do so." SR&O ¶ 101, 50 F.C.C.2d at 1075 (A. 190).

The FCC's *ipse dixit* that licensing a newspaper publisher for a co-located broadcast station will not add to diversity has no factual support and is nowhere further explained in a way which could permit either the court of appeals or this Court to conclude that the FCC's reasoning is sound. In fact, the statement is contradicted by the FCC's own admission that jointly owned newspapers and broadcast stations do in fact speak with diverse voices. SR&O ¶ 131, 50 F.C.C.2d at 1089 (A. 219). Moreover, the FCC nowhere in its decision adverts to any evidence whatsoever of a want of diversity of expression between newspaper and broadcast affiliates. Thus, the FCC has accurately characterized the goal of its prospective rules as no more

than "a small gain in diversity" (SR&O ¶ 112 n.30, 50 F.C.C.2d at 1080 n.30 (A. 200)), or, even more to the point, "a mere hoped for gain in diversity" (SR&O ¶ 109, 50 F.C.C.2d at 1078 (A. 196)). The FCC has, therefore, made no showing that any increase in diversity is likely to result from its prospective rules. In the absence of any such support, its decision has no rational basis.

The FCC gave no reasons for abandoning public service factors as a consideration in the prospective licensing of local broadcast stations to daily newspaper publishers. Instead, the FCC unabashedly eschewed consideration of the consequences of its prospective actions, stating that "[a]s to prospective interests, we concluded that we were free to act to foster diversity without being concerned about negative impact from our action." SR&O ¶ 112, 50 F.C.C.2d at 1081 (A. 202). Because of this flaw in the agency's decision, its rules must be set aside in accordance with the principle set forth in *Greater Boston Television Corp. v. FCC*, *supra*, 444 F.2d at 852 (footnotes omitted):

> "An agency's view of what is in the public interest may change, either with or without a change in circumstances. But an agency changing its course must supply a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored, and if an agency glosses over or swerves from prior precedents without discussion it may cross the line from the tolerably terse to the intolerably mute."

Here, the FCC's decision is "intolerably mute."

In determining not to order general divestiture of newspaper-broadcast combinations, the FCC properly

took account of the need for stability and continuity of ownership of those licensees which serve important public purposes. The FCC also made several key empirical findings on the basis of the evidence before it. The agency found that, in general, there already exists a substantial and increasing diversity in the mass media in most communities (SR&O ¶¶ 47-50, 98, 50 F.C.C.2d at 1060-61, 1073 (A. 161-163, 186)); that there is already significant diversity between affiliated broadcast stations and newspapers (SR&O ¶¶ 131-32, 50 F.C.C.2d at 1089-90 (A. 218-220)); and that newspaper-affiliated broadcast stations have compiled "a long record of service to the public" (SR&O ¶ 109, 50 F.C.C.2d at 1078 (A. 196)). Finally, the FCC found no evidence of abuses arising out of newspaper-broadcast cross-ownership. *See* SR&O ¶ 96, 50 F.C.C.2d at 1072 (A. 184).

These findings, which describe present conditions, would have amply supported a conclusion by the FCC that it should continue its prior policies, which gave all applicants for a broadcast license an equal and fair chance to show that they can serve the public interest. Instead, the Commission adopted prospective rules banning the formation of future newspaper-broadcast combinations.

The court of appeals took a similar one-track approach in its consideration of the validity of the prospective rules. The lower court found that the ban had a rational basis, even though "there is no guarantee that the prospective ban will increase diversity in all cases," because "the licensing of an independent, rather than an affiliated station, offers greater hope of providing the community a new voice." 555 F.2d at 950 (A. 373-374).

In sum, the FCC in adopting the prospective rules, and the court of appeals in affirming them, both ignored the more important and basic goal of public service in favor of a "single-value" approach that elevates a purely speculative "hoped for gain in diversity" above all other factors. Because the Commission failed to give "reasoned consideration to each of the pertinent factors" affecting the public interest, its prospective rules are arbitrary, capricious, and an abuse of discretion, and must be set aside. *Permian Basin Area Rate Cases, supra,* 390 U.S. at 792; 5 U.S.C. § 706(2)(A).

IV. THE LOWER COURT ERRED IN REVERSING THE FCC'S DECISION NOT TO DIVEST MOST EXISTING NEWSPAPER-BROADCAST COMBINATIONS

A. The FCC Reasonably Concluded from the Record that There Was No Factual Basis for Divestiture and that There Was Support for the Continued Licensing of Existing Broadcast Stations Affiliated with Local Newspapers

1. The record contained adequate data for the FCC to use in decisionmaking and the FCC made conclusions based on the record

The court of appeals depreciated the significance of the evidence before the agency in order to support its theory that "in determining its divestiture policy, the Commission necessarily had to rely primarily on policy, not factual considerations." 555 F.2d at 957 (A. 395) (footnote omitted). In stark contrast with the court's statement that "[t]he voluminous record of the lengthy rulemaking proceeding contains little reliable 'hard' information" (555 F.2d at 956 (A. 392)), however, more than 30 fact-filled "major studies" were

submitted by the parties, in addition to a detailed statistical analysis of programming by the FCC staff.[25]

Moreover, largely on the basis of a statement on brief by FCC counsel that "most of the studies" were inconclusive, the court below made the unwarranted assumption that the Commission found the record as a whole inconclusive. 555 F.2d at 957, 962 & n.89 (A. 395, 413-414).

In this respect, the court simply took advantage of the obvious fact that the FCC could not—and was not required to—make detailed findings concerning every branch of every sub-issue raised in the 200-plus comments before arriving at normative conclusions on the basic questions bearing on the need for and impact of divestiture. The court's own review of the record failed to show that the evidence concerning divestiture was inconclusive, and conveniently ignored the fact that the FCC's order showed that the agency itself was able to reach conclusions on each of the key issues. Thus, the court of appeals failed to heed this Court's mandate that "[a]lthough [the] inquiry into the facts is to be searching and careful, the ultimate standard of review is a narrow one. The court is not empowered to substitute its judgment for that of the agency." *Citizens To Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971).

On the question of the effects of common ownership on station performance, the record was replete with evidence that newspaper-affiliated broadcast stations provide superior public service. The FCC had before it and expressly considered factual evidence that own-

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[25] The major studies are listed in Appendix B of the SR&O, 50 F.C.C.2d at 1093 (A. 226). The staff study is printed as Appendix C to the SR&O, 50 F.C.C.2d at 1094 (A. 228).

ers of newspaper-broadcast combinations set higher journalistic standards than do other owners (SR&O ¶ 63, 50 F.C.C.2d at 1064 (A. 169)); that economies of common ownership permit better and more diverse programming (SR&O ¶ 64, 50 F.C.C.2d at 1064-65 (A. 169-171)); and that stations affiliated with local newspapers are often locally owned, and in any event, tend to be more familiar with, and more immersed in, the needs and problems of their local communities than other stations (SR&O ¶¶ 65, 78, 50 F.C.C. 2d at 1065, 1068-69 (A. 171, 176-178)). In contrast, the argumentative comments submitted to the FCC by proponents of divestiture merely asserted that new owners could theoretically improve service. SR&O ¶ 66, 50 F.C.C.2d at 1065 (A. 171).

The court of appeals appeared to regard as significant the results of two early empirical studies [26] which applied different methodologies to the same data and found no significant differences between newspaper-affiliated stations and others in the amount of news, public affairs, and local programming carried. These studies, however, were made before the more complete and reliable data contained in the FCC's first annual television programming report became available. SR&O ¶ 97, 50 F.C.C.2d at 1073 (A. 186). The FCC's staff analyzed the information in this report for the agency and found that "stations owned by co-located newspapers broadcast significantly more minutes in several categories of local programming, other

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[26] Comment of Students' FCC Study Group (May 17, 1971); H.J. Levin, The Policy of Joint Ownership of Newspaper and TV Stations: Some Assumptions, Objectives and Effects (April 12, 1971). *See* 555 F.2d at 958 (A. 400).

important factors being equal." SR&O App. C, 50 F.C.C.2d at 1096 (A. 234).

The FCC accepted the results of its staff's study and found that it demonstrated an "undramatic but nonetheless statistically significant superiority in newspaper owned television stations in a number of program particulars." SR&O ¶ 109 n.26, 50 F.C.C.2d at 1078 n.26 (A. 196-198). As a more general conclusion, the FCC held that newspaper-affiliated stations had established "traditions of service" and "a long record of service to the public." SR&O ¶ 109, 50 F.C.C.2d at 1078 (A. 196). The court's criticism of the FCC's draftsmanship—that "the Commission did not *stress* this superiority in deciding to grandfather most stations" (555 F.2d at 957 (A. 395) (emphasis added))—can hardly erase the Commission's findings or detract from their importance.

The court of appeals appeared to agree with the FCC that the record before it contained no evidence "that newspaper-television station owners have committed any specific non-competitive acts as such." SR&O ¶ 96, 50 F.C.C.2d at 1072 (A. 184). Instead, the court took notice of the innuendos in the Barnett report,[27] a paper which was not part of the record before the agency and which, in any event, by Barnett's own admission, is not based on systematic research and consists primarily of anecdotal examples which "admittedly vary in their force as evidence." *See* Barnett report at 15 (A. 1000). The reliance of the court of appeals on this weak submission merely serves to em-

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[27] S. Barnett, Cross-Ownership of Mass Media in the Same City: A Report to the John and Mary R. Markle Foundation (Sept. 23, 1974). (A. 990).

phasize the dearth of "hard" evidence of competitive abuse by combination owners.[28]

A principal issue on which studies were submitted to the FCC was the question of whether any monopoly price effect could be found in newspaper-affiliated TV station advertising rates. As the court of appeals confirmed, the FCC found the methodology of the only study purporting to show such an effect to be defective (555 F.2d at 959 (A. 403)), and, accordingly, the agency found no adverse effect on advertising rates attributable to newspaper ownership. SR&O ¶¶ 39, 96, 50 F.C.C.2d at 1057, 1072 (A. 155, 184). Finally, the FCC noted that there had been no submission of specific industry-wide data showing undue concentration. SR&O ¶ 112 n.29, 50 F.C.C.2d at 1080 n.29 (A. 200).

On the subject of the adequacy of existing multiplicity and diversity in the media, the FCC considered submissions by opponents of divestiture which established that affiliated newspapers and broadcast stations do not offer the same viewpoints and information to readers, listeners, and viewers. SR&O ¶ 45, 50 F.C.C. 2d at 1059 (A. 159). In addition, the FCC reviewed several studies which showed that there has been a long-term trend of increasing diversity, and that the number of separate media voices in most markets is extremely high. SR&O ¶¶ 47-50, 98, 50 F.C.C.2d at 1060-61, 1073 (A. 161-163, 186). Finally, the FCC

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[28] Even if the record had disclosed isolated cases of previously undiscovered abuses, the FCC's long-standing renewal policy, which permits the raising of such specific issues in petitions to deny license renewal applications, would have provided a ready vehicle for their correction. *See* SR&O ¶ 130, 50 F.C.C.2d at 1088 (A. 216).

considered comments showing that developing law such as the Fairness Doctrine, Equal Time, and "access to the broadcast media" ensure a multiplicity of viewpoints over broadcast stations. SR&O ¶ 51, 50 F.C.C.2d at 1061 (A. 163). *See Red Lion Broadcasting Co. v. FCC,* 395 U.S. 367 (1969).

The court of appeals' discussion of this issue suggests that the agency reached no conclusions. Actually, the FCC found that any gain in diversity to be expected from separate ownership would in most cases be "theoretical" and more to be "hoped for" than assured. SR&O ¶¶ 109, 114, 50 F.C.C.2d at 1078, 1083 (A. 196, 207). The FCC concluded that it was dissatisfied with the overall level of diversity only in cases where a "single full-fledged choice" was not available to deal with local issues. In all other cases, the FCC determined that "there would not be such an unacceptable level of undue concentration." SR&O ¶ 112, 50 F.C.C.2d at 1080-81 (A. 200-202).

On the issue of the economic consequences of divestiture, two major studies were submitted to the FCC showing that the sale of TV stations under divestiture conditions would result in substantial economic losses to their owners. SR&O ¶ 95, 50 F.C.C.2d at 1072 (A. 184). Studies further showed that cost increases for station operation would flow from divestiture, and that capital costs would increase to levels where many stations could only be purchased by existing multiple owners or nationwide conglomerates. SR&O ¶¶ 56-57, 50 F.C.C.2d at 1062-63 (A. 165-167). The FCC discussed evidence that these cost increases would reduce the funds available for programming. SR&O ¶ 77, 50 F.C.C.2d at 1068 (A. 176). Numerous com-

ments indicated that divestiture would have an adverse economic impact on newspapers by depressing values, forcing marginal operations out of business, and limiting newspapers' ability to use electronic distribution. SR&O ¶ 74, 50 F.C.C.2d at 1067 (A. 174).

The court of appeals emphasized that the FCC felt that the "concern" expressed in the economic studies "may be exaggerated." 555 F.2d at 961 (A. 410). But the Commission concluded that, nonetheless, divestiture could create "[l]ocal economic dislocations . . . as a result of the vast demand for equity capital" and that "wide-scale divestiture could increase interest rates and affect selling price too." SR&O ¶ 108, 50 F.C.C.2d at 1078 (A. 196).

In sum, the court of appeals failed to recognize that the FCC found the record on all of the key factual issues adequate to reach conclusions that there was no need for divestiture and that divestiture would have serious adverse consequences.

2. The FCC's decision not to divest most existing combinations was based on its conclusions from the record

Despite the lower court's attempt to characterize the FCC's decision concerning divestiture as relying "primarily on policy, not factual considerations" (555 F.2d at 957 (A. 396) (footnote omitted)), the factual context significantly influenced the FCC's policy decision. In the agency proceeding, the FCC ultimately found that it must weigh the risk of loss to the public of the generally superior service of newspaper-affiliated stations against the speculative possibility that an unknown new applicant would provide at least equal

public service while adding to diversity and/or decreasing concentration.[29]

The evidence presented to the FCC as well as that in its own files demonstrating that existing newspaper-affiliated stations provide generally superior service was essentially unchallenged.[30]

On the issue of economic concentration, the FCC reasonably concluded that this factor should be assigned very little, if any, weight in light of the total failure of proof either of monopoly prices or of industry-wide patterns of abuse.[31] *See* SR&O ¶¶ 39, 96, 112 n.29, 50 F.C.C.2d at 1057, 1072, 1080 n.29 (A. 155, 184, 200).

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[29] The FCC made it clear that it will continue to consider diversity as one of the factors to be weighed in comparative hearings where it is presented with a bona fide choice. SR&O ¶ 129, 50 F.C.C.2d at 1088 (A. 216).

[30] Even the two dissenting Commissioners acknowledged the generally high level of public service rendered by newspaper-affiliated stations. For Commissioner Hooks, "the superior performance of many newspaper-owned stations" elicited a "bird in the hand is worth two in the bush" response. 50 F.C.C.2d at 1109 (A. 269). Commissioner Robinson, the lone dissenter to non-divestiture, conceded that "there is some superficial force to the assertion that newspapers make superior licensees since some newspaper-owned stations have a reputation for being among the best stations in the country." 50 F.C.C.2d at 1120 (A. 291).

[31] By deferring detailed examination of economic monopolization questions to ad hoc proceedings, the FCC cannot be said to have ignored this factor, but merely to have determined that it is best considered in the context of particularized facts about specific markets. This is entirely consistent with the lack of evidence before the FCC of overall problems, and accords proper recognition to the contentions of the Department of Justice and others in separate filings regarding the possibility of abuse in individual situations. *See* SR&O ¶¶ 112 n.29, 130, 50 F.C.C.2d at 1080 n.29, 1088 (A. 200-202, 218-219).

Regarding the adequacy of existing diversity and the likelihood that divestiture would significantly increase diversity, the FCC had before it substantial evidence that great and increasing diversity is the norm in most areas on most issues. SR&O ¶¶ 47-50, 98, 50 F.C.C.2d at 1060-61, 1073 (A. 161-163, 186). Moreover, the FCC found no evidence that it is the norm for affiliated newspapers and broadcast stations to speak with one voice. SR&O ¶¶ 131-32, 50 F.C.C.2d at 1089 (A. 218). Indeed, the agency emphasized that it attached considerable weight to this latter finding:

> "Even if separate operation cannot be equated with separate ownership, it is nonetheless an important point. Were it otherwise and the two operated jointly, it might have been necessary for the Commission to act to require divestiture in many more situations. If the power of the print-broadcast combination were exercised monolithically or if the print and media outlets were mirror images of one another, speaking with one voice, we would have to be concerned." SR&O ¶ 131, 50 F.C.C.2d at 1089 (A. 218).

In this factual framework, it was entirely reasonable for the FCC to assign relatively less weight to the speculative benefits to the public that might accrue from a possible small increase in diversity than to the proven record of service in the public interest established by existing licensees.

Finally, the FCC concluded that there was a likelihood that "local economic dislocations" would result from divestiture and that interest rates could increase. SR&O ¶ 108, 50 F.C.C.2d at 1078 (A. 196). In assigning weight to this factor the FCC could reasonably conclude from the evidence before it (SR&O ¶ 77,

50 F.C.C.2d at 1068 (A. 176)) that these economic losses would have some adverse impact on service to the public because of a reduction in net return available for improvements in station operation.

Having reasonably concluded that the potential benefits from divestiture were small and speculative and that divestiture presented a risk of loss in service, whereas existing ownership served the public interest, it was entirely reasonable for the FCC to reach its ultimate judgment that it was neither necessary nor appropriate to order divestiture.[32]

B. The Renewal of Existing Broadcast Station Licenses Held by Local Newspaper Publishers Is Entirely Consistent with Applicable Law and Precedent

1. The goal of diversity, as only one of many factors bearing on the public interest, does not create a presumption against newspaper-broadcast cross-ownership

The FCC's decision not to divest most existing combinations was entirely consistent with the FCC's prior policy of balancing the detriments of divestiture against alleged benefits, and of considering the benefits to the public interest of continued service by existing licensees. *See, e.g., National Broadcasting Co. v. United States,* 319 U.S. 190, 207 (1943).

The FCC's uniform policy in broadcast licensing has been to consider diversification of control of the mass media as only one of many factors bearing on the pub-

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[32] The fact that the FCC did order divestiture in the case of some small markets is not evidence to the contrary. While the FCC purported to base that decision on unique circumstances in the amount of diversity, the logic of its whole Second Report and Order, to say nothing of constitutional and statutory limitations, would require that it not order any divestiture by generally applicable rule.

lic interest. These factors include (1) diversification of control of the media of mass communications, (2) full-time participation in station operation by owners, (3) proposed program service, (4) past broadcast record, (5) efficient use of frequency, (6) character, and (7) other factors.[33] Specifically, an applicant's affiliation with a local newspaper has never been considered a bar to obtaining a broadcast license.[34] Moreover, although the FCC may consider competitive factors as part of the public interest standard of the Communications Act, it is well settled that the FCC is not empowered to enforce the antitrust laws, *United States v. Radio Corporation of America,* 358 U.S. 334 (1959), nor may it "automatically equate the public interest with additional competition." *Hawaiian Telephone Co. v. FCC,* 498 F.2d 771, 777 (D.C. Cir. 1974).

The FCC routinely has found that the unopposed initial grants or renewals of broadcast licenses to local newspaper affiliates are in the public interest. The FCC has also awarded broadcast licenses to newspaper affiliates after exploring the concentration of control issue in a hearing.[35] When the FCC has been presented with facts showing specific anticompetitive abuses, it

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[33] These factors are enumerated in the Commission's Policy Statement on Comparative Broadcast Hearings, 1 F.C.C.2d 393 (1965). In considering applications for a license renewal, as distinguished from a new license, the FCC does not apply the Policy Statement to balance these factors but gives great weight to the performance of a meritorious incumbent. *See* Seven (7) League Productions, Inc. (WIII), 1 F.C.C.2d 1597, 1598-99 (1965); Belo Broadcasting Corp., 47 F.C.C.2d 540, 544 (1974).

[34] Policy Statement on Newspaper Ownership, 9 Fed Reg. 702 (1944); Orlando Daily Newspapers, Inc., 11 F.C.C. 760 (1946).

[35] Lee Enterprises, Inc., 23 F.C.C.2d 522 (1970).

has denied licenses to newspaper affiliates in a non-comparative hearing context.[36]

Where, however, there has been a competing application for the license, the FCC, in evaluating all the relevant public interest factors,[37] in some cases has found that the diversity factor may tip the balance in favor of the non-newspaper-affiliated applicant.[38] In other cases, the FCC has determined that other factors predominate and has awarded the license to the newspaper affiliate.[39] The FCC has, however, never presumed that diversity must always be given predominant weight over other factors.[40]

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[36] *E.g.*, Mansfield Journal Co. v. FCC, 180 F.2d 28 (D.C. Cir. 1950) (coercive advertising practices).

[37] *See* Policy Statement on Comparative Broadcast Hearings, 1 F.C.C.2d 393 (1965).

[38] McClatchy Broadcasting Co. v. FCC, 239 F.2d 15 (D.C. Cir. 1956), *cert. denied*, 353 U.S. 918 (1957); Radio Wisconsin, Inc., 20 F.C.C. 235 (1955).

[39] *E.g.*, Pinellas Broadcasting Co. v. FCC, 230 F.2d 204 (D.C. Cir.), *cert. denied*, 350 U.S. 1007 (1956) (local programming); Le Mond, Jones & Fisher, 11 F.C.C. 919 (1947) (community knowledge); Capitol Broadcasting Co., 11 F.C.C. 859 (1947) (coverage, frequency use); Orlando Daily Newspapers, Inc., 11 F.C.C. 760 (1946) (efficient frequency use, community knowledge, community service); Times Publishing Co., 4 F.C.C. 400 (1937) (public service).

[40] Indeed, even in the FCC's statement of its licensing policy made in the comparative hearing context—where the FCC is free to balance policy considerations without concern for built-up equities—it listed its "first" objective as being "the best practicable service to the public," whereas "a maximum diffusion of control of the media of mass communications" was only "second." Policy Statement on Comparative Broadcast Hearings, 1 F.C.C.2d 393, 394 (1965).

From the time this issue was first raised, the courts, too, have stated that the FCC has discretion to find that it would serve the public interest for a newspaper applicant to be granted a broadcast license.[41] In the words of Commissioner Hooks in his separate opinion:

> "Overwhelmingly, the attitude of the courts towards bare cross-ownership has been *nehil nequam est praesumendum* (nothing wicked is to be presumed)." 50 F.C.C.2d at 1109 (A. 269).[42]

Sections 307 and 309 of the Communications Act require that the FCC consider the "public interest, convenience, and necessity" in awarding broadcast licenses. 47 U.S.C. §§ 307(a), 309(a). There are numerous components of the public interest and the FCC must exercise its judgment in weighing each of them. In a classic statement, the court of appeals held that "the Commission is entitled to consider diversification of control in connection with all other relevant facts and *to attach such significance to it as its judgment dictates.*" *McClatchy Broadcasting Co. v. FCC,*

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[41] Massachusetts Bay Telecasters, Inc. v. FCC, 261 F.2d 55 (D.C. Cir. 1958), *modified*, 295 F.2d 131, *cert. denied*, 366 U.S. 918 (1961); McClatchy Broadcasting Co. v. FCC, 239 F.2d 15 (D.C. Cir. 1956), *cert. denied*, 353 U.S. 918 (1957); Scripps-Howard Radio, Inc. v. FCC, 189 F.2d 677 (D.C. Cir.), *cert. denied*, 342 U.S. 830 (1951); Tri-State Broadcasting Co. v. FCC, 96 F.2d 564 (D.C. Cir. 1938). *See* Stahlman v. FCC, 126 F.2d 124 (D.C. Cir. 1942).

[42] Commissioner Hooks cited, in support of his statement, Massachusetts Bay Telecasters, Inc. v. FCC, 261 F.2d 55 (D.C. Cir. 1958), *modified*, 295 F.2d 131, *cert. denied*, 366 U.S. 918 (1961); Pinellas Broadcasting Co. v. FCC, 230 F.2d 204 (D.C. Cir.), *cert. denied*, 350 U.S. 1007 (1956); McClatchy Broadcasting Co. v. FCC, 239 F.2d 15 (D.C. Cir. 1956), *cert. denied*, 353 U.S. 918 (1957).

239 F.2d 15, 18 (D.C. Cir. 1956), *cert. denied*, 353 U.S. 918 (1957) (emphasis added)."

The lower court, in establishing a "presumption that cross-owned stations do not serve the public interest," completely ignored this long history of agency and court decisions to the contrary." Instead, the court simply assigned its own preferred weights to the numerous factors bearing on the public interest and concluded that it would treat diversity as the controlling consideration.

The lower court's attempt to upset the weight assigned by the FCC to the various components of the public interest is patently inconsistent with its limited

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" The court has further indicated that even in comparative renewal hearings, where the FCC is presented with a choice of qualified licensees, "*superior* performance should be a plus of major significance." Citizens Communications Center v. FCC, 447 F.2d 1201, 1213 (D.C. Cir. 1971). As to the factor of diversity, while recognizing its importance, the court stated that "[d]iversification is a factor properly to be weighed and balanced with other important factors." 447 F.2d at 1214 n.36. In another case, the court recognized that the weight to be accorded "diversification in its quantitative form" may properly be based upon consideration of the number of other media outlets in a market and whether an existing licensee has operated affiliated outlets "autonomously and independently." Fidelity Television, Inc. v. FCC, 515 F.2d 684, 701 (D.C. Cir. 1975).

" Strangely, the court asserted that the FCC's own "long-standing policy" constituted its most important support for the presumption in favor of divestiture. 555 F.2d at 963 n.93 (A. 418). As shown above, this "long-standing policy" never elevated diversity above other factors as the exclusive touchstone of the public interest. The court purported to draw additional support for its presumpion of diversity from the Communications Act and from the First Amendment. As shown in the preceding sections, precisely the opposite conclusion, namely that the FCC cannot adopt anti-newspaper rules, follows from a correct interpretation of the Communications Act and the First Amendment.

reviewing role. This role has been defined by this Court as follows:

> "The court's responsibility is not to supplant the Commission's balance of these interests with one more nearly to its liking, but instead to assure itself that the Commission has given reasoned consideration to each of the pertinent factors." *Permian Basin Area Rate Cases*, 390 U.S. 747, 792 (1968).

In particular, this Court has held, in passing on judgments made by the ICC under the same public interest standard as that embodied in the Communications Act, that the weighing of consumer benefits against adverse impact on members of the regulated industry is "the kind of judgment that is entrusted to [the ICC], a power to weigh the competing interests and arrive at a balance that is deemed 'the public convenience and necessity.'" *Bowman Transportation, Inc. v. Arkansas-Best Freight System, Inc.*, 419 U.S. 281, 293 (1974). Likewise, here the balancing of interests in diversity, competition, public service, and economic injury is "the kind of judgment that is entrusted to" the FCC."

"The court of appeals recently articulated, in National Association of Regulatory Utility Commissioners v. FCC, 525 F.2d 630 (D.C. Cir.), *cert. denied*, 425 U.S. 992 (1976), the proper standard of review when the FCC balances competitive considerations against other public interest factors in a rulemaking proceeding. In that case, the court reviewed the FCC's allocation of a large block of frequency spectrum to AT&T and other carriers, and concluded that "significant anticompetitive effects may well result." 525 F.2d at 638. Nonetheless, the court defined its own reviewing role as a narrow one:

> "We conclude that such determinations are precisely the sort that Congress intended to leave to the broad discretion of the Commission, by imposing a broad public convenience, interest,

The court of appeals purported to rationalize the substitution of its own policy preference for the reasoned decision of the agency by denigrating the countervailing policies which the FCC considered important. Thus, the court asserted that the value of preserving local ownership and management "are not of primary importance to the Commission" because a licensee is allowed by the Commission to transfer his license to a non-local new owner. 555 F.2d at 963 (A. 417). Nonetheless, the Commission has always considered local ownership and management to be highly desirable,[46] and was certainly acting rationally when it assigned some weight to the fact that broad divestiture would disrupt numerous operations with a long tradition of local ownership and management. SR&O ¶ 108, 50 F.C.C.2d at 1078 (A. 196). The lower court's sheer speculation that new local entrepreneurs will emerge to take over operations is no substitute for the FCC's experienced judgment that "many sales will have to be turned over to outside interests." SR&O ¶ 108, 50 F.C.C.2d at 1078 (A. 196).

The court of appeals also downgraded the FCC's partial reliance on the policy goal of continuity of operation by claiming that it is at odds with the FCC's

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or necessity standard. In cases of such broad delegations to expert agencies, the standard of review is that of the reasonableness of the conclusions reached." 525 F.2d at 636 (footnote omitted).

Recognizing that anticompetitive effects were "contingent upon a variety of factors," the court held that the FCC's action was not "a breach of the broad discretion allocated to the Commission under the statute." 525 F.2d at 638 (footnote omitted).

[46] *See* Policy Statement on Comparative Broadcast Hearings, 1 F.C.C.2d 393, 395-96 (1965).

assignment policies. Here, the court simply misstated the agency's assignment policies by asserting that the FCC has the practice of "routinely approving license assignments." 555 F.2d at 964 (A. 421). The fact that the FCC generally prefers not to force unwilling owners to continue operation does not detract from the value it assigns continuity. In truth, the FCC places a high value on "sustained station ownership." *Applications for Voluntary Assignments or Transfers of Control,* 32 F.C.C. 689, 690 (1962). Its anti-trafficking rule requires a full hearing on any transfer applications during the initial license term. 47 C.F.R. § 1.597. These rules are based on the proposition that "uncertainty on the part of station personnel and disruption in operational continuity" may result in "programming deterioration incompatible with broadcasting in the public interest." *Notice of Proposed Rulemaking,* 25 Fed. Reg. 12898 (1960).

Finally, the court below questioned the relevance of economic dislocations as a proper factor to be considered by the agency. In fact, however, as the court appeared to recognize, the FCC did not specifically base its decision on economic hardship to individual owners. Nonetheless, it was not improper for the FCC to select a course of action, fully justified by other policies, which also avoided adverse financial impact on businesses which have long served the public interest. Moreover, assurance of reasonable stability in the industry is necessary to induce entrepreneurs to provide the risk capital and operating resources needed to establish a successful station and to develop quality programming. *See Times-World Corporation v. United States,* 251 F. Supp. 43, 45 (W.D. Va. 1966); Geller, *The Comparative Renewal Process in Television:*

Problems and Suggested Solutions, 61 VA. L. REV. 471, 497-98 (1975).

This Court has approved such consideration of the licensee's business interests. In the FCC's 1941 *Report on Chain Broadcasting,* the agency found that network ownership and operation of stations caused restraints on competition. The FCC, however, thought "it inadvisable to compel these networks to divest themselves of all their stations" and decided to require divestiture of only a small number of them, particularly where a network owned two stations in one area.[47] On review, this Court specifically noted that the FCC had balanced the network's "substantial business interests," as a factor bearing on the public interest, against the competitive considerations, and concluded, in affirming the FCC's action, that complete divestiture would have been an unnecessarily "drastic step." *National Broadcasting Co. v. United States,* 319 U.S. 190, 207 (1943).

2. There is no legal requirement that the FCC act retroactively and divest existing combinations

In requiring that the FCC, in addition to adopting a prospective ban on newspaper-broadcast cross-ownership, must also order broadscale divestiture of existing combinations, the court of appeals overstepped the proper bounds of judicial review. The practical effect of the court's requirement of a "presumption" against all such cross-ownership is to deny the FCC the discretion to regulate prospectively. That denial of discretion constitutes a serious usurpation of the Commission's authority, and runs contrary to the long-

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[47] *Report on Chain Broadcasting* at 66-69.

standing preference for prospective rulemaking as a method of regulation.

The Commission has frequently "grandfathered" non-conforming situations when it has changed one of its policies.[48] Indeed, in adopting a number of new rules designed to promote diversification of ownership, the Commission has made distinctions between prospective and retrospective application of the new restrictions. For example, when the Commission amended its rules in 1964 to reflect stricter and more precise standards for determining prohibited overlap in the service areas of co-owned AM, FM or television broadcast stations, it did not require divestiture of existing combinations. *Multiple Ownership of Standard, FM and Television Broadcast Stations,* 45 F.C.C. 1476 (1964). Similarly, no divestiture was required by the Commission when, in 1970, it adopted rules prohibiting common ownership of television and radio stations in the same market. *Multiple Ownership of Standard, FM and Television Broadcast Stations,* 22 F.C.C.2d 306 (1970) (A. 33). The Commission's decisions to grandfather existing interests have on numerous occasions been upheld by the courts. *See, e.g., Buckeye Cablevision,*

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[48] *See, e.g.,* Revision of FM Broadcast Rules, 40 F.C.C. 720 (1962) (existing high power FM stations grandfathered when new maxima on power and coverage adopted); Distribution of Television Broadcast Signals by CATV Systems, 2 F.C.C.2d 725 (1966), *aff'd,* Buckeye Cablevision, Inc. v. FCC, 387 F.2d 220 (D.C. Cir. 1967) (rules limiting signal carriage by cable television systems adopted with grandfathering of existing non-conforming systems); Cable Television Report and Order, 36 F.C.C.2d 143 (1972) (non-conforming existing systems grandfathered when signal carriage rules revised). In each of these situations, the Commission's decision to grandfather existing, non-conforming situations was grounded in concern that retroactive application would result in disruption of established service.

Inc. v. FCC, 387 F.2d 220 (D.C. Cir. 1967) (grandfathering of cable system importation of distant signals held to be permissible in order to avoid disruption of established viewing habits); *Committee for Open Media v. FCC*, 533 F.2d 1 (D.C. Cir. 1976) (exempting established small cable systems from certification requirement). In *Columbus Broadcasting Coalition v. FCC*, 505 F.2d 320, 324 (D.C. Cir. 1974), the District of Columbia Circuit implicitly approved the grandfathering of interests which did not conform to the "one to a market rule" adopted by the FCC in its First Report and Order, *Multiple Ownership of Standard, FM and Television Broadcast Stations*, 22 F.C.C. 2d 306 (1970) (A. 33). The court of appeals has not established a sufficient basis for reaching a contrary result in connection with the newspaper-broadcast cross-ownership rules in question here.

Prospective rulemaking has long been preferred as a method of regulation which affords flexibility and allows for fairness in treatment of the affected parties. "Retroactive changes in settled law may be unjust whether the change is made by administrative action, by a court decision, or by an administrative amendment designed to conform to changes brought about by judicial decisions. . . . Therefore changes in settled law, whether by judicial decision or otherwise, frequently should be limited to prospective operation." 1 K. DAVIS, ADMINISTRATIVE LAW TREATISE § 5.09, at 351-52 (1958).[49] The courts have frequently recognized that prospective rules are the norm; retrospective applica-

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[49] This Court expressed its disapproval of retroactive changes in administrative practices more than a century ago in United States v. Macdaniel, 32 U.S. (7 Pet.) 1, 15 (1833).

tion is justified only by strong public necessity. This Court has warned that "[r]etroactivity must be balanced against the mischief of producing a result which is contrary to a statutory design or to legal and equitable principles." *SEC v. Chenery Corporation,* 332 U.S. 194, 203 (1947). The Court further recognized that the manner of proceeding in a regulatory matter is a choice that "lies primarily in the informed discretion of the administrative agency." *Id.*

While an agency may in the proper circumstances conclude that a regulation should be given retroactive as well as prospective effect, and while every new principle may entail an incidental retroactive effect, a regulation need not be retroactive to be valid. On the contrary, this Court has stated that

> "[t]he function of filling in the interstices of the Act should be performed, as much as possible, through this quasi-legislative promulgation of rules to be applied in the future." *Id.* at 202.

Like rulemaking, legislation is generally prospective in nature. Grandfathering in the legislative context has been endorsed by this Court as an appropriate means to respond "to the felt need for regulating . . . through familiar administrative devices, while at the same time [satisfying] the dictates of fairness by affording sanction for enterprises theretofore established." *United States v. Maher,* 307 U.S. 148, 153 (1939). Thus, the Commission acted in a manner frequently endorsed by the courts as the "preferred" method of regulating and in accord with a long history of prospective rulemaking. The FCC quite properly concluded that the retroactive application of new poli-

cies to require the divestiture of broadcast affiliates by newspaper publishers was unjust to the existing station owners, particularly in view of past Commission encouragement of newspaper-broadcast cross-ownership and of the Commission's repeated findings that existing newspaper-broadcast cross-ownerships have operated in the public interest, both of which have created expectations of continuation as Commission licensees.

Indeed, in view of the record compiled before the FCC demonstrating clearly that existing broadcast stations licensed to local newspaper publishers have served the public interest well, a failure by the Commission to grandfather those existing combinations would have been arbitrary, capricious, and irrational. The court of appeals has itself warned that the Commission may not disregard "legitimate renewal expectancies implicit in the structure of the [Communications] Act." *Greater Boston Television Corporation v. FCC,* 444 F.2d 841, 854 (D.C. Cir. 1970), *cert. denied,* 403 U.S. 923 (1971). Other courts have explicitly stated, on the basis of the Commission's "consistent practice" of renewing broadcast licenses in the absence of licensee misconduct, that "[a] license, while technically granted for only three years at a time, is in economic operation one of infinite duration." *Richmond Television Corporation v. United States,* 354 F.2d 410, 412 (4th Cir. 1965) (footnote omitted); *Times-World Corporation v. United States,* 251 F. Supp. 43 (W.D. Va. 1966); *Knipe v. Commissioner,* 24 TAX CT. MEM. DEC. (CCH) 668 (1965). In denying a taxpayer the right to amortize over a finite period of years expenditures made in anticipation of grant of a broadcasting license, the Fourth Circuit noted that

no "licensee would seriously entertain an offer for the purchase of its business calculated on the assumption that business life was limited to the remainder of the current three-year licensing period. . . . [I]n the entire experience of the industry the term of the license is to all intents and purposes perpetual." *Richmond Television Corp., supra,* 354 F.2d at 412-13 n.5. Accordingly, while the Communications Act affords no guarantee that an existing licensee will retain its license for an additional term, the "entire experience of the industry" indicates that, in the absence of inferior service, a broadcast license is one of indefinite duration. Certainly, therefore, the records of meritorious service developed by most newspaper-affiliated stations should engender "legitimate renewal expectancies," which should not be dismissed.

C. The Court of Appeals Went Beyond Its Proper Judicial Role and Purported To Dictate the Rule Which the Agency Must Adopt

Consistently with the substitution by the court of appeals of its own policy judgments for those of the FCC, the court below went further and purported to dictate to the FCC a new divestiture rule, namely, "that divestiture is required except in those cases where the evidence clearly discloses that cross-ownership is in the public interest." 555 F.2d at 966 (A. 428) (footnote omitted).

It is clear that this attempt by the court to act as an administrative agency and promulgate its own rule is contrary to this Court's oft repeated rule that "the function of the reviewing court ends when an error of law is laid bare. At that point the matter once more goes to the Commission for reconsideration." *FPC v.*

Idaho Power Co., 344 U.S. 17, 20 (1952). *Accord, Prairie Construction Co. v. Local No. 627, International Union of Operating Engineers*, 425 U.S. 800, 805-06 (1976); *NLRB v. Food Store Employees*, 417 U.S. 1, 9 (1974); *SEC v. Chenery Corporation*, 318 U.S. 80, 88 (1943); *FCC v. Pottsville Broadcasting Co.*, 309 U.S. 134, 145 (1940). As the Court explained in *Pottsville Broadcasting*:

> "[A]n administrative determination in which is embedded a legal question open to judicial review does not impliedly foreclose the administrative agency, after its error has been corrected, from enforcing the legislative policy committed to its charge." 309 U.S. at 145.

Without this balance between the legislative functions of the agency and the judicial functions of the court, the "distorting lenses" of the lower court's policy preferences will be brought into play in the implementation of the public interest standards of the Communications Act. *See Pottsville Broadcasting Co.*, 309 U.S. at 144.[50]

Much of the reasoning the court below used in support of its pro-divestiture prescription is based upon nothing more than the court's view that the FCC "did not stress" a study showing that newspaper-affiliated stations are superior (555 F.2d at 957 (A. 395)), that the FCC "did not indicate which methodology it accepted" in a study of advertising rates (555 F.2d at 959 (A. 403)), that the FCC "never explained

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[50] Even the United States, which agrees with the court of appeals' holding that the FCC's opinion does not support its conclusion, believed that the court of appeals went too far in attempting "finally to decide administratively unresolved questions." Memorandum for the United States at 3, FCC v. National Citizens Comm. for Broadcasting, Nos. 76-1471, *et al.* (Sept. 1977).

. . . why it had abandoned the presumption [of divestiture] in the notice of proposed rulemaking" (555 F.2d at 963 (A. 417)), and similar criticisms of the FCC's decisionmaking technique. Obviously, if the court, rather than the agency, attempts to address these objections in the first instance, the agency will be denied the central function Congress intended it to have, *i.e.*, the task of making and applying policy. And, indeed, the manifold errors made by the court of appeals in substituting its own views for those of the agency serve to highlight the impropriety of permitting the court to be both the initiator and final arbitrator of a divestiture rule.

CONCLUSION

For the reasons stated above, the judgment of the court of appeals should be reversed, except to the extent that it vacated the portions of the FCC's order which would require divestiture of existing small-market combinations.

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FOR ARGUMENT

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 76-1604

(Consolidated with Nos. 76-1471, 76-1521, 76-1595, 76-1624, and 76-1685)

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION,
Petitioner,

v.

NATIONAL CITIZENS COMMITTEE FOR BROADCASTING, FEDERAL COMMUNICATIONS COMMISSION, and UNITED STATES OF AMERICA, *Respondents.*

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

REPLY BRIEF FOR PETITIONER AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION

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PEERS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

INDEX

Page

ARGUMENT

I. Respondents Have Failed To Show That the FCC's Prospective Rules Making Publication of a Local Newspaper an Absolute Disqualification for a Broadcast License in the Same Community Are Constitutional or Within the Agency's Statutory Authority 3

II. NCCB and the US Have Not Established That the FCC's Decision Not To Disrupt Existing Service by Broadcast Stations Affiliated with Local Newspapers Was Unlawful or Unreasonable 7

CONCLUSION 10

CITATIONS

COURT CASES:

Brown Shoe Co. v. United States, 370 U.S. 294 (1962) 5
Citizens Communications Center v. FCC, 447 F.2d 1201 (D.C. Cir. 1971) 8
Citizens To Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402 (1971) 8
Grosjean v. American Press Co., 297 U.S. 233 (1936) . 4
National Broadcasting Co. v. United States, 319 U.S. 190 (1943) 3
Oklahoma Press Publishing Co. v. Walling, 327 U.S. 186 (1946) 4
Permian Basin Area Rate Cases, 390 U.S. 747 (1968) . 9
Red Lion Broadcasting Co. v. FCC, 395 U.S. 367 (1969) 3
United States v. General Dynamics Corp., 415 U.S. 486 (1974) 5
United States v. Storer Broadcasting Co., 351 U.S. 192 (1956) 5, 6

FCC CASES:

Distribution of Television Broadcasting Signals by CATV Systems, 2 F.C.C.2d 725 (1966) 8
Diversification of Control of CATV Systems, 23 F.C.C. 2d 833 (1970) 8
Further Notice of Proposed Rulemaking, 22 F.C.C.2d 339 (1970) 7

Page

Multiple Ownership of AM, FM and Television Broadcast Stations, 18 F.C.C. 288 (1953) 8
REPORT ON CHAIN BROADCASTING (1941) 8

MISCELLANEOUS:

47 U.S.C. § 151 5
47 U.S.C. § 309(a) 8
H.R. REP. No. 93-961, 93d Cong., 2d Sess. (1974) 6
S. REP. No. 93-1190, 93d Cong., 2d Sess. (1974) 6
1974 CONGRESSIONAL QUARTERLY ALMANAC 6

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REPLY BRIEF FOR PETITIONER AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION

ARGUMENT

In its opening brief, the American Newspaper Publishers Association (ANPA), opposed on constitutional, statutory, and administrative law grounds the FCC's prospective rules, affirmed by the court of appeals, which prohibit the holder of a broadcast license from instituting publication of a daily newspaper in the same community and, similarly, deny a newspaper publisher the right to apply for a new local broadcast

license. ANPA supported the FCC's decision not to disrupt most existing service patterns—a policy judgment with which the court of appeals disagreed and which it reversed in favor of its own views.[1] Three respondents argue against part or all of ANPA's position.[2] Of these, only the National Citizens Committee for Broadcasting (NCCB) fully supports the judgment of the court of appeals. The Federal Communications Commission (FCC) supports the lower court's affirmance of its prospective rules but defends its divestiture policy. The United States (US) agrees with the court of appeals' analysis of the FCC's action but urges that the court erred in its attempt to promulgate a divestiture rule of its own rather than remanding the matter to the FCC. This reply brief will be limited to those points where ANPA believes a further response will be useful. However, failure by ANPA to address a point raised by respondents should not be construed as concession to it.

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[1] ANPA agrees with the result reached by the court of appeals in reversing FCC divestiture orders against certain small-market combinations, and supports the Brief of Joint Respondents (Gray Communications, Inc., The Brockway Company, Daily Telegraph Printing Company, WJAG, Incorporated, and Owosso Broadcasting Company, Inc.) urging affirmance of that aspect of the court's judgment.

[2] Additionally, ANPA has received two *amicus* briefs, accompanied by motions for leave to file, generally supporting these respondents. Since these documents appear to raise nothing new except for material not on the record of this case, ANPA will not specifically address them in its reply.

I. Respondents Have Failed To Show That the FCC's Prospective Rules Making Publication of a Local Newspaper an Absolute Disqualification for a Broadcast License in the Same Community Are Constitutional or Within the Agency's Statutory Authority

A fundamental, but not always stated, premise of the constitutional arguments by the FCC, US, and NCCB is that the FCC has broad authority to regulate what the US calls the "communications market." (US Br. at 15.) By this glib phrase, radio, television, wire communications, and newspapers are all swept into the same regulatory scheme. These arguments ignore the significant constitutional differences between publishing a newspaper, on the one hand, and engaging in electronic communications, on the other. For example, all three respondents rely heavily on *National Broadcasting Co. v. United States,* 319 U.S. 190, 227 (1943), which stands for the undisputed proposition that "[t]he right of free speech does not include, however, the right to use the facilities of radio without a license," and other broadcast cases such as *Red Lion Broadcasting Co. v. FCC,* 395 U.S. 367 (1969). (FCC Br. at 26-28, US Br. at 24, NCCB Br. at 21-22.) The difficulty with these cases is that they prove too little. As conceded by the FCC, these cases are grounded on the fact that there is a scarcity of electromagnetic spectrum available for broadcasting which means that "the First Amendment has a meaning for broadcasting that is different from its meaning for other media of expression." (FCC Br. at 27.) These technical limits have been held to justify governmental management of the use of the airwaves. No such technical limitations apply to publishing and, thus, none of the cases or policy relied on by respondents suggests that the FCC can constitutionally regulate the right to publish a newspaper.

Yet, by the device of denying access to a valuable governmental privilege—namely, a broadcast license—the FCC's prospective rules have the practical effect of restricting the right to publish a newspaper just as much as they restrict the granting of broadcast licenses.

A second common theme in respondents' briefs is the suggestion that because the prospective rules do not involve content regulation, they pass constitutional muster. (FCC Br. at 29, US Br. at 21, NCCB Br. at 22.) Squarely at odds with this overly narrow view of the First Amendment is *Grosjean v. American Press Co.*, 297 U.S. 233 (1936), which condemned a state tax on gross advertising receipts imposed on *all* newspapers with weekly circulations over 20,000. Content regulation is not the only form of government interference with a free press which is prohibited by the First Amendment. This Court has made it clear that *Grosjean* stands for the proposition that the First Amendment prohibits the "singling out of the press for treatment different from that accorded other business in general." *Oklahoma Press Publishing Co. v. Walling*, 327 U.S. 186, 194 (1946).

The US attempts another argument to justify the prospective rules under the First Amendment. (US Br. at 22-23.) This argument has as its major premise the *ipse dixit* that the antitrust laws would prohibit the acquisition of one of a community's two newspapers by the other, an assertion which fails to prove that the First Amendment would not be offended by such an application of the antitrust laws. The minor premise of the US argument is that its newspaper acquisition hypothetical is "identical in form, and in principle to the First Amendment argument made in this case." (US Br. at 22.) Actually, however, under the anti-

trust laws as interpreted by this Court when judging the legality of a merger involving large market shares, "only a further examination of the particular market —its structure, history and probable future—can provide the appropriate setting for judging the probable anticompetitive effect of the merger." *Brown Shoe Co. v. United States*, 370 U.S. 294, 322 n.38 (1962), quoted with approval in *United States v. General Dynamics Corp.*, 415 U.S. 486, 498 (1974). In this case, ANPA's First Amendment argument objects precisely to action that could not be taken under the antitrust laws, namely, a broad-brush restriction on newspaper publishers in the absence of any particularized showing of anti-competitive effect in a given market. Thus, the ultimate conclusion of the US, that the prospective rules are valid under the First Amendment, rests on invalid premises.

The lumping together of broadcasting and newspapers into a fuzzy "communications market" also ignores the specific statutory language in the Communications Act of 1934 which gives the FCC authority only to regulate "communication by wire and radio." 47 U.S.C. § 151. Despite this language, respondents take comfort in their claim that "[t]he Commission's new rules treat newspaper owners and broadcast licensees alike" (US Br. at 24), and ignore the plain fact that the FCC does not have authority to regulate all mass media generally, either directly or, as here, indirectly through its power over affiliated broadcast media interests. This failure by respondents to acknowledge the distinction between the FCC's proper field of concern—broadcasting—and other, unregulated, media explains their otherwise untenable assertion that *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956), rec-

ognizes that the FCC has statutory authority to make regulations based on the public interest in diversity in the mass media generally. However, *Storer*, and all other FCC rulemaking actions promoting diversity prior to the present case, involved only rules allocating ownership of the electronic media within the FCC's legitimate regulatory sphere. The FCC's present attempt to extend its jurisdiction to include newspaper publishing is, therefore, not supported by precedent, but arises solely out of the erroneous claim that authority over broadcasting equates to authority over all mass media.

ANPA's discussion of the post-enactment legislative history of the Communications Act demonstrated that almost from the beginning there has been a continuing dialogue between Congress and the FCC in which both bodies have presupposed that the FCC has neither constitutional nor statutory authority to hold newspaper publishers per se unqualified to obtain broadcast licenses. (ANPA Br. at 34-46.) The FCC and NCCB also refer to bills passed by the House and Senate in 1974 (but not enacted) directing the FCC to complete the proceeding here under review.[3] *See* H.R. REP. No. 93-961, 93d Cong., 2d Sess. (1974); S. REP. No. 93-1190, 93d Cong., 2d Sess. (1974). *See also* 1974 CONGRESSIONAL QUARTERLY ALMANAC 714-717. (FCC Br. at 25, NCCB Br. at 19-21.) However, these bills do not reflect a congressional view that the FCC has authority to adopt the rules in question here. They are en-

[3] The House bill also would have prohibited the FCC from restructuring the industry on an ad hoc basis in renewal proceedings prior to completion of Docket No. 18110. NCCB incorrectly states that both houses adopted this provision. (NCCB Br. at 19-20.)

tirely consistent with earlier congressional expressions that the FCC has no such authority and merely indicate concern that the FCC promptly complete its then pending inquiry which specifically included an investigation of whether or not the FCC had such authority. *Further Notice of Proposed Rulemaking*, 22 F.C.C.2d 339, 349 (1970) (A. 121). Even if these bills had been enacted, the FCC would have been free to conclude, as it should have done consistently with its own and Congress' prior understanding, that it would not adopt general rules barring newspaper/broadcast cross-ownership.

II. NCCB and the US Have Not Established That the FCC's Decision Not To Disrupt Existing Service by Broadcast Stations Affiliated with Local Newspapers Was Unlawful or Unreasonable

The reversal by the court of appeals of the FCC's considered decision not to disrupt forcibly most existing ownership patterns in the absence of specific abuses is supported, vigorously by NCCB and more tentatively by the US. Their policy preferences were adopted by the court after having been rejected by the agency properly charged with making policy. These respondents echo the court of appeals in contending that the FCC has all along had a policy in favor of divestiture and that the FCC gave too much weight to other important considerations vis-á-vis diversity.

As to the first of these contentions, that there is an already existing presumption in favor of divestiture from which the FCC departed, respondents, by a process of wishful thinking, simply translate the FCC's long-standing recognition that diversity is *one* of the public interest factors to be considered in licensing into a supposed policy that diversity is the *only* significant

public interest factor. (US Br. at 33-35; NCCB Br. at 27-29.) In attributing this policy presumption to the FCC rather than to the court of appeals and to themselves, respondents are obviously aware of the rule that "[t]he court is not empowered to substitute its judgment for that of the agency." *Citizens To Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971). Their rhetoric outruns reality, however, for the FCC has, as a matter of law and fact, repeatedly and for decades found "that the public interest, convenience, and necessity would be served by the granting" of licenses and renewals of licenses to present cross-owners. *See* 47 U.S.C. § 309(a). More generally, even the court of appeals elsewhere has recognized that "[d]iversification is a factor properly to be weighed and balanced with other important factors." *Citizens Communications Center v. FCC*, 447 F.2d 1201, 1214 n.36 (D.C. Cir. 1971).

Respondents and the court of appeals may now disagree with the FCC's policy judgments, but it is disingenuous for them to suggest that the FCC itself has adopted their policy. Moreover, to the extent respondents suggest that divestiture is a normal remedy used by the FCC, again actual FCC practice is to the contrary. Over the years, divestiture of multiple owners has been a very rarely used technique in rulemaking, and the FCC has repeatedly recognized that divestiture is disruptive. *E.g.*, REPORT ON CHAIN BROADCASTING 67 (1941); *Multiple Ownership of AM, FM and Television Broadcast Stations*, 18 F.C.C. 288, 292 (1953); *Distribution of Television Broadcasting Signals by CATV Systems*, 2 F.C.C.2d 725, 784-85 (1966); *Diversification of Control of CATV Systems*, 23 F.C.C.2d 833, 835 (1970).

The second tactic used by the court of appeals and repeated by the US and NCCB is an attempt to examine separately the various countervailing factors relied on by the FCC in support of its decision not to divest most existing combinations and show how each factor, such as local ownership and management, economic dislocation, continuity of service, and quality of programming, is not really, in respondents' view, very important. (US Br. at 36-51; NCCB Br. at 32-45.) Perhaps some of these factors individually are not as significant as others or do not apply in every situation, but the court of appeals and respondents fail to accord due recognition to the fact that the FCC's decision was based on the totality of these factors in an overall context of the need for making available to the public the best possible broadcasting service. The FCC found that *in sum* these factors outweighed any "mere hoped for gain in diversity." 50 F.C.C.2d at 1078 (A. 198). This weighing of factors by the agency should not be disturbed by the courts. *Permian Basin Area Rate Cases,* 390 U.S. 747, 792 (1968).

CONCLUSION

For the reasons stated above and in ANPA's opening brief, the judgment of the court of appeals should be reversed, except to the extent that it vacated the portions of the FCC's order which would require divestiture of existing small-market combinations.

Respectfully submitted,

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